THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established In 1917

July 17, 1948

TOTAL WARFARE

AN EDITORIAL

Report On The Peiping Shooting

Jean Lyon

Communist Ideas On Business

Alec Stock

Economic Review Up To July 1948

T. R. Lee

FREEDOM IS RELATIVE

AN EDITORIAL

VOLUME 110 CNC$600,000 NUMBER 7

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LETTERS From The People

Comments from readers on current topics are cordially invited: their opinions, however, do not necessarily represent the views of The China Weekly Review.

Fears Of Rich

To The Editor:

With the corruption and inefficiency of the "coalition Government," the spread of Communism seems to be too invincible to be stemmed. Keep your weather eye open fellow country-men, and you will see that while hundreds of thousands of "Bandit Suppression Campaign" soldiers are in a life-and-death struggle against the Communists at the front, lots of top-notch government officials and officers are doing nothing but lining their pockets and feathering their nests. Accompanying this phenomenon, are financial inflations and economic difficulties which, by many a banker, are considered much more dangerous than the lost battles of the Government. Evidently, up until now, even a child can say that the Government must have something wrong with it and needs much innovation and that when and only when it makes up its mind to do so, can the Communists be suppressed.

Unfortunately, what we have dealt with above is too great for our Government on the one hand. But on the other, the Communists are always claiming lots of success with drums beating and colors flying. From this imminent danger, a great fear rises. "What on earth is the fear?" you may ask. Well, the fear is that of the rich. As things stand now, they are musing over ways and means of keeping from being liquidated and, most important of all, condemned to death by the People's Assembly if they have many enemies impoverished because of their usury, even though they find themselves still in the Government area. To them, it seems as if the Nationalist Government may collapse and the Communists would present them with accounts to be settled.

To prove this case, an interesting conversation between a farmer and his landlord may be quoted:

"How happy you are, master," said a farmer admiringly. "You have no need to overreach yourself by ploughing and reaping. My age is much less than yours, but I look much older than you."

"Ah farmer," replied his master, "What you say may be right, but, in my opinion, I am none the happier for all my wealth now."

"Quite a story, master, but I cannot understand what you say," cried the farmer, puzzled. "Would you like to explain this to me?"

"There are, my dear farmer, not so many rich folk who are jubilant over having millions of dollars now as there used to be in the days of my parents and grandparents. The present-day Government is too corrupt and too fond of nepotism and will fail to protect your master. Certainly I shall die under Communist rule, because you know in the past I was fonder of squeezing money from my poor farmers than of anything else in the world. In brief, my dear farmer, when the worst comes to the worst, could you save my neck?

"Well, I must, of course. But what is meant by the word Com-Com-Communist?"

"The Communists are for the poor and against the rich. Doubtless, you will enjoy having them," was the answer.

THE CHINA WEEKLY REVIEW

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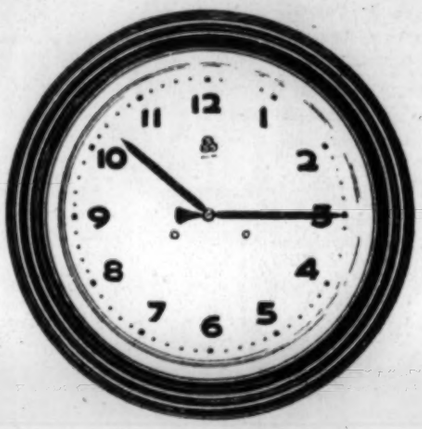

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"First of all, take care, and don't forget to save my life and you must say I am a good man."

"Master, even if I do, what can I do when many of my poor colleagues talk against you?"

The above dialogue shows that the rich are so afraid of Communism that they are laying plans for tomorrow. Will the Government be so kind as to render them protection by reforming itself thoroughly?

F. C.

Taipeh, Taiwan
June 30, 1948

Hawaii Statehood

To The Editor:

The National Conventions of the two major political parties in Philadelphia will be closely watched by the world to see which party has the strongest program on civil rights. No one doubts but that serious, and in some cases deciding, pluralities in November will be determined by this one plank alone. What is not generally realized, however, is the direct relationship between Civil Rights and the question of Statehood for Hawaii.

In the last session of the United States Congress, a bill granting Statehood to Hawaii was actually introduced into the Senate. It was stopped in Committee through the articulate opposition of some and the apathy of others.

The opposition was based chiefly on racial grounds. "What if a non-Caucasian or Oriental were elected to Congress? "The population of Hawaii is too mixed—there are too many Japanese," etc.

The apathy was based on a lack of insight into the great opportunity, through granting Statehood to Hawaii, of demonstrating to the minority groups at home and to oppressed peoples abroad that the United States are in fact a democracy, embracing people of all colors and creeds.

What are the facts in the case?

Hawaii is a group of twelve islands in the central North Pacific dominating the sea routes of communication between East and West. As such it is the anchoring point in the strategic naval system of the United States in the Pacific. It is closer to San Francisco than Portland, Oregon is to Washington, D.C. In area, it exceeds Connecticut and Rhode Island combined; in population, it runs neck and neck with New Hampshire, Its chief industries are sugar, honey, pineapples, hides, wools and timber. It was annexed by the United States in 1898 at the request of the Republic of Hawaii.

Fifty years of uninterrupted American government, American industry, and American education have long established the American way of life in the islands. Honolulu, its chief city, resembles any average American city from its five-and ten stores to its double feature movie houses. There are public schools, and a university recognized by the American Council of Colleges. There are Elks and Rotarians and Women's Clubs. The people are politically mature and follow local, national, and international politics in the several daily papers of the islands.

There is nothing sinister or un-American about either Hawaii or its people. The people are as patriotic as any American citizens anywhere. The exemplary record of the Japanese-American soldiers in Italy in World War II is too well known to require repetition. The Federal Bureau of Investigation, which is hardly an organization of sentimentalists, gave the Japanese-American population a clean bill of health for vigorous support of the national war effort. No stronger testimony of loyalty is possible.

These are facts, and alone would con-

stitute adequate reason to admit Hawaii to the Union. But there are more positive reasons. Several hundred thousand American citizens are deprived of the right to vote for a president, since Hawaii, not being a State, is not represented in the Electoral College. Several hundred thousand citizens are taxed without being represented. (Hawaii has one delegate to Congress, the Hon. Joseph Farrington, who has the right to speak, but not to vote on the floor of Congress.) These two realities—the deprivation of the vote, and taxation without representation—are in direct contradiction to accepted American political concepts of democracy.

In the cold war with Soviet Russia, any flaw in the American nation is magnified tenfold by skillful Communist propagandists. It is not surprising, therefore, that Communist propaganda has consistently sought to stir up ill-will against the United States among the colored peoples of the world by pointing to the plight of the Negro in the South, and the Immigration Policies of the United States. Granting Statehood to Hawaii will counteract such propaganda. Bnt of greatest import, it will reaffirm to the peoples of the world that American democracy is living democracy, and is capable of absorbing into its democratic processes men of all races, colors and creeds.

Hawaii is ready for statehood.

J. K. CHOY.

New York City
June 19, 1948

Inland Shipping

To The Editor:

It is not because I am studying navigation that I wish to tell you something about the importance of shipping to a nation. It is because I feel that giving up a nation's sovereignty over its inland waterways is like sitting in on the ending of a nation's life.

According to the June 15 *Ta Kung Pao* in Shanghai, in one of the articles which followed "US Aid to China," the matter of opening the inland waterways to foreign shipping began to brew almost a half a year ago at which time our Chinese officials and people refused to consider it. This time, however, in order to get relief supplies the Government has promised that American ships may be allowed to sail up the Yangtze River to transport these supplies. Besides this, there is the huge problem that the British, who long to sail in these waters, will try to follow in the tracks of the United States and make a request to be allowed to do so.

Once restrictions are lifted against inland water travel it is feared, not only by us who study navigation but by the Chinese people as well, that a new threat to Chinese sovereignty will arise. When this happens the power will rest in outside hands and the industry and commerce of China may also be in desperate straits.

Therefore, we hope our new government will limit them and when the task of supplying relief is finished it will withdraw its permission.

JIMMIE TSAI.

National Marine Academy, Wuchang
June 20, 1948

Right Or Wrong

To The Editor:

The slogan, "My country, right or wrong," seems to me to have a selfish motive. It is reminiscent of the Japanese and Germans, of nationalism and militarism.

Recently there have been nation-wide demonstrations against American aid to Japan. Although the United States, because of strained relations with Russia, wants Japan as an anti-Red bastion, every Chinese is afraid that she will

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—JOHN TYNDALL.

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again menace world peace and security.

We are sorry about our friend J. Leighton Stuart's statement on June 4. I have been kindly impressed by many of our American friends, and while we oppose US policy toward Japan we do not oppose America herself. "A little discussion among friends is always a way to improve friendship." Let us say, "Our truth, right or wrong."

Y. C. CHEN.

Taipei, Taiwan
June 18, 1948.

Two Powers

To The Editor:

The present chaotic state of the world, is caused by the conflicting principles of the two great powers, the United States of America and the Soviet Union. America by the use of her dollar diplomacy, proposes to change the world into some kind of merchandise suited to her own ends. Russia, with her distorted idea of communism, is attempting, with even stronger determination, to change the world according to her own particular design. Both nations, equally conscious of their superiority, are heading for different goals. While they march to their unpraiseworthy ends, forcing others to follow in their footsteps, the rest of the world can have no peace.

As most nations are led by military-minded men, and as the only privilege of the people is to offer suggestions on how to stave off the enemy, which suggestions are never carried into effect unless they happen to coincide with the policy of the rulers, what can be done to save the situation? This is a possible solution:

1. Every nation other than the USA and the USSR, must strive to live independantly and without the dangerous aid of the two aforementioned powers. They should be united on an economic and military basis, so that they can support and defend themselves as a whole unit. But, one may ask, how this is possible when the differences existing among all nations are so many and varied? The answer is, that while the two great powers persist in their efforts, to destroy one another and ultimately, one is bound to devour the other, several nations will have to share the same fate as the country they are dominated by, and their eventual destruction is assured.
2. A world-wide Salvation Council composed of all peace-loving people, irrespective of nationality is necessary. They should be able to take the floor as free citizens of the world, and not as spokesmen of their individual countries. The object of this Council would be to make the common people aware of the dangers they are exposed to by reactionary governments, and organize a revolution to smash the aims of ambitious leaders and slave governments.
3. Public opinion must be firmly mobilized to enable the movement to be molded into one of action. A non-collaboration action against the clamorers for war throughout the world must be achieved which will be larger and wider in scope than that guided by the late Gandhi.
4. Though the vista is far ahead of us, we must not idly wait for World War III. We are the overwhelming majority of humanity and we are not predestined to be tools or toys of a few stubborn beings. It is our duty to handle world affairs properly and it is now time for us to make up our minds and tackle the task.

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ENGLISH SPOKEN

There are those who think that the people are like loose sand, and cannot be united. But sand can be cemented into stone as Dr. Sun Yat-sen used to say. Wise men of the world: Take action to start the work of cementing! The common people, who are now unconscious, will be made conscious through your advice.

CHIANG CHIEN-PU.

Guam, M. I.
June 19, 1948

Hangchow Tax

To The Editor:

The "Soak-the-rich" levy is taking shape in Hangchow. None of the wealthy people have tried to donate yet. "Elephant Chow," the Mayor finds himself in a position of embarrassment as he fails in his mission to carry the program through. Should he take the advice of Confucius: "Don't make trouble with a rich family when you become an official," certainly he will keep his job. Should he urge the equalization of the wealth among the people of Heaven which Marco Polo used to describe, he had better take a long leave at once. Even the top bureaucratic capitalists are directing their strategy to Dr. Sun Yat-sen's quotation: "No wealthy people in China" in order to pare the levy down.

It is not a new item, of course. Many people have talked it over again and again since 1940. It remained something unconvincing and irrelevant, like a balloon in the air without any string attached. The reasons lay with the capitalists because they never wanted to share their gold bars and green-backs for the purpose of the war. After VJ Day, the old idea was brought up anew and delayed once more on the grounds that without nation-wide registration of property it was impossible to call for imposition on both immovable and movable properties including gold, cash and shares. If there is no special effort made, the wealthy people seem to evade free contributions as usual. According to the bill, the levy will be imposed starting from five billion with a contribution of CNC 500,000,000 which constitutes 10 percent of the person's wealth.

The total amount of the "Soak-the-rich" levy in Hangchow is estimated at CNC 30,000,000,000 of which only 500,000,000 has been donated by Mr. Chu Shao-chow, ex-governor of Shensi. Other wealthy famous citizens such as Messrs. Chin Juen-chuan, Chairman of the Chamber of Commerce, and Chow Shih-lo are excluded.

CHEN CHI.

Hangchow
July 1, 1948

New Bottle, Old Wine

To The Editor:

The recent publication of Dr. Wong Wen-hao's new cabinet was a disappointment. Except for Deputy Premier M. Y. Ku and Minister of National Defense Ho Ying-chin, almost all ministers are unchanged. It is just like a Chinese saying, "A new bottle filled with old wine." If these men had poor records of administration in the past, what can be expected of them in the future?

During the past 20 years, China's political stage has been occupied by a few groups of corrupt officials and speculators. What they considered most has been their own interest, while the public welfare has been put aside. Although the government has been reformed now and then, many of them have never been retired. New blood thus could hardly be put into the government machine, and China's political situation has gone from bad to worse.

In the present military and economic crisis, a strong cabinet is urgently needed. It should be composed of more

"20th Century" men with courage to face the difficulties who could work out some satisfactory solution to the pressing economic, land and social problems. They should be a group of experts, not politicians. Only such a cabinet could make the government competent and efficient enough to carry out a new deal.

CHENG TEK-CHIANG.

Canton
June 24, 1948

Prominent Official

To The Editor:

As an Anti-Red Hero, Wang Feng-kang, special commissioner and pacification commander of the 10th district of Hopei province, flew to Canton at the request of Governor T. V. Soong to help in the bandit suppression drive in Kwangtung. During his brief stay in Canton, Wang was up to his neck in official intercourse, giving lectures and talking to reporters. All vernacular newspapers printed his photo together with a minute description of his simple life and "brilliant career." He was praised to the skies. Thanks to Governor Soong's favor, Wang Feng-kang became an official of prominence overnight.

All ranking officers, both military and civil, were required to be present at the lecture given by Wang on ways to subdue the Reds—only to find to their bitter disappointment that what Wang said was commonplace. Wang said the ways to wipe out the "communist bandits" are simple: First, complete political reform and training and organizing the people; second, concentration of military power and third, economic reconstruction to keep everyone well fed. Wang further pointed out that the chief tactic of the "communist bandits" in their rebellion was to kill, and this massacre helped to maintain their party discipline. I am inclined to think that Wang was only harping on an old string and did not know anything more than other Anti-Red Heroes. The trouble lies in the fact that all of them simply fail to put their words into practice. It is highly absurd for Wang to say that killing was the communists' chief tactic and helped to maintain their party discipline. It is beyond my comprehension how a party indulging in killing as much as Wang described could be able to enjoy such confidence and support from the broad masses as does the Communist Party and to grow in strength from day to day. And it is extremely ridiculous to say that a massacre policy could ever uphold discipline of any kind.

As revealed by newspapers, Wang had been a member of the Communist Party in 1938. Betraying the Party he became a commander of the puppet army in Hopei. Afterward, Wang was bought over by the Kuomintang for his brilliant "career" in fighting the communists. Much to my surprise he had the face to acknowledge the aforementioned dirty record before his large audience.

It is highly interesting to note that Wang, the rebel of the Communist Party, was invited to visit Kwangtung just at a time when the Communist Campaign is spreading like wild fire and the people's riot is in full swing. Observers here were of the unanimous opinion that there was some political design in connection with it. By the example of Wang himself, the government seemed to hint "Come over to my side, lucrative posts are waiting for you." Governor Soong's error lies in the fact that he mistakenly thought that all the communists are as demoralized as Wang, who betrayed his own political faith and surrendered to the temptation of high position.

ROBERT K. HSU.

Kaiping, Kwangtung
June 30, 1948

Subscription Trouble

To The Editor:

I sincerely hope that my free subscription, which is the result of a generous American friend, will be continued.

Being only a little civil servant, and due to the present high cost of living, I find it very difficult to subscribe to your valuable "*Reviews*," and I feel must unhappy about it. In my opinion, the "*Review*" gives the clearest view of current events and their effects on the world in general.

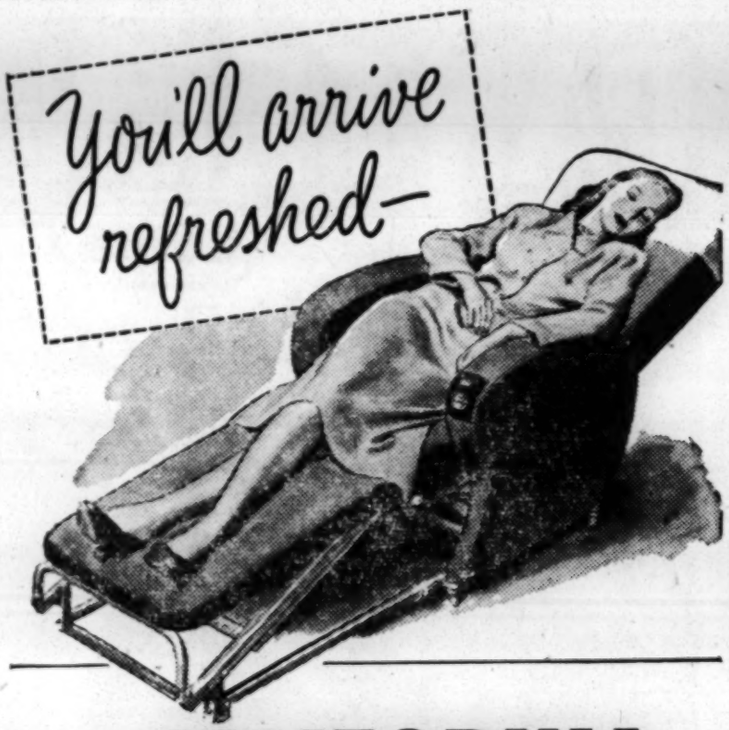
Before saying goodbye to you, in the event that my free subscription should be discontinued, I should like to make a few suggestions concerning the improvement of the *Review*:"

(1) Publish the "ailments" of this country.
(2) Outline a way out of the chaotic situation.

Each word of the "*Review*" has meant so much to me and to my many Chinese and foreign intellectual friends. I hope I will always have the opportunity to read it.

M. C. KOO.

Nanchang, Kiangsi
June 30, 1948



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White Terror

To The Editor:

I don't know how many people in various parts of this country have been kidnapped on charges of being "treacherous bandits" since the press seldom if ever furnishes us with the facts. In the tiny town of Sinhui, however, there occurred recently, in broad daylight, a kidnapping which cannot but convey the impression that "white terror" is overrunning the country.

On the afternoon of May 28, two boys about 17 years old who attended a government middle school in Sinhui were held up at pistol point by three plain-clothes thugs and were carried off to some unknown headquarters. An eye-witness reported that one of the victims received, without any reason whatsoever, violent thrusts in the loins by a pistol as he was being dragged along.

Where the kidnapped boys were held nobody could tell. When approached by the principal of the school concerned, the magistrate categorically denied any knowledge of the case adding, however, that the kidnapping probably had been carried out by order of the military authorities in Canton. Then came the rumor that dozens of students of the aforementioned school were involved in the case through the confessions of one of the two kidnapped boys. As a result, a number of boys and girls who were more or less friendly with the victims went into hiding for fear of being subjected to wanton arrests. A couple of the teachers of the school acted in the same manner for the same reason. Thus, the entire school was thrown into a state of panic with everybody wondering wthether or not he would be seized. This uncertain and disturbed atmosphere was so persistent that the principal had to call a faculty meeting to devise means to remedy the situation.

It is interesting and significant to note that about a fortnight before this case, the arrest in Kongmoon, chief of town of Sinhui hsien, of 16 merchants on charges of illegal transanctions in foreign currency aroused a world of criticism and indignation and for several days the local press gave much prominence to the illegality of the arrests while the magistrate militantly stepped forward and interfered in the affair. Nevertheless, in regard to the kidnapping of the two boys such actions are conspicuous by their absence. The press is silent and the magistrate denies knowledge. It seems to me that although the question as to whether these two youths were really "treacherous bandits" is still open to doubt, the mere mention of the title is enough to scare anybody into silence and inaction.

INDIGNANT.

Kongmoon, Kwangtung
July 4, 1948

War News

To The Editor:

I am a permanent reader of the *Weekly Review* who regrets the lack of articles analyzing the military situation during the last few months.

It is quite clear to me that if you use articles of this nature in future issues of your magazine the number of readers would be sure to increase since, at present, the Chinese are at a loss to understand what the actual condition of the war is.

Undoubtedly, the Chinese refuse to read the false propaganda which is constantly turned out. They are suffo ting and stifling under one-sided news.

Again, I ask you to be good enough to give us an analysis of the country's war news.

FREDERICK FU.

Soochow, Kiangsu
June 23, 1948

THE CHINA WEEKLY REVIEW
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The editorial pages present each week the opinions of the editor. The other pages of The China Weekly Review are written by the other members of the staff and the contributing editors who report and interpret the news irrespective of the views expressed in the editorials.

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Total Warfare

THERE has been quite a lot of talk lately among responsible government leaders on the subject of total warfare. Addressing a prominent group of social and educational leaders in Sian, President Chiang Kai-shek was quoted by the official *Central News Agency* as saying it has become apparent that military power alone cannot crush the Reds and total warfare is the only way of ending the Communist rebellion and bringing peace and security to the suffering millions in China. The President further explained that total warfare means complete coordination between military, political, economic and social resources. He also stated that popular cooperation is necessary for the successful execution of this type of warfare against the Chinese Communists.

General Pai Chung-hsi, Bandit-suppression Commander-in-Chief for Central China, stated at a press conference held in Hankow that the time has come to face the facts, however unpleasant they may be. He particularly emphasized that only by adopting total warfare will it be possible for the Government to weather the present crisis. Under his direction, a people's militia will be created and all residents in the city of Hankow between 18 and 45 years will be required to receive compulsory military training for three months.

Besides all the accent on total warfare, speculation has been rife for some time that the Government is going to change its tactics. Minister of National Defense General Ho Ying-chin, in an exclusive interview with the *United Press*, revealed that the new type of warfare now under consideration will be mobile rather than positional. The over-all objective, he pointed out, is not so much to kill the Reds, as it is to capture their weapons, since the civil war does not consist of general engagements or decisive battles as was the case in the Sino-Japanese War.

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This isn't the first time we've heard people talk about total warfare. If by total warfare is meant a nation-wide mobilization of all military, political, economic and social resources to serve the war effort, then the issuance of the general mobilization order last July must be regarded as the beginning of total warfare against the Chinese Communists. Again, last November, Government army brass in seven provinces along the Yangtze held a joint defense conference in Nanking under the personal leadership of the Generalissimo. Although the results of the conference were kept secret, press reports disclosed that the conference stressed the political and economic aspects of the present anti-Communist campaign. Much attention was given to total warfare and a land reform program was understood to have been adopted.

As a matter of fact, recent talk about total warfare and changes in tactics is merely a repetition of what we have always been hearing. What really surprised us is that a full year after the general mobilization order was issued, Government leaders are still doing the talking. This seems to indicate that the general mobilization program has either become a dead letter or got exactly nowhere.

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Total warfare would consist of thorough coordination and mobilization of all military, political, economic and cultural forces to strengthen the war effort. In other words, it means improving the Government's position on the political, economic and cultural fronts, thereby enhancing its fighting power as a whole. Therefore the ultimate objective of total warfare should be to strengthen and improve the administration of political, economic, military and social affairs.

But what we have seen in this country is just the opposite. Under the cloak of total warfare, the authority and functions of the civilian administrations have been drastically curtailed. In the "pacification areas" military government is operating. It is no secret that in these areas most district magistrates have been replaced by army men and the pacification commanders are empowered to supervise local governments. Under the slogan of unifying the command and the conduct of military, government and party (Kuomintang) affairs, the last word rests with the military commander.

A careful study of the situation shows that this way of conducting "total warfare" has done more harm than good. Arbitrary intervention in political and economic affairs by ignorant military commanders has more than once embarrassed the Government and has weakened rather than improved its position on the political and economic fronts, thus impairing its military position as well. It has become more and more apparent that local pacification commanders under the pretext of conducting total warfare have butted into political and economic affairs and adopted "emergency measures." As far as we have been able to size things up it seems that local army commanders have been inclined to use total warfare as a powerful weapon for taking political and economic affairs into their own hands. In some cases, the only thing that has come of total warfare is the establishment of undisguised military

government and drastic curtailment of political and economic activities.

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Military theory and strategy are based on political, economic and geographical conditions. They cannot be worked out of pure imagination and wishful thinking. A country, backward in industry and communication, loose in social organization and poor in combat power, cannot hope to conduct highly-mechanized lightning war with any prospect of success.

To be more concrete, strategy and tactics are closely linked with the political, economic and geographical factors of a given country. To talk about adopting this or that type of warfare or strategy without taking into consideration the possibilities and limitations involved in the political, economic and geographical factors is like discussing the intrinsic value of a medicine without bothering to find out whether it is applicable to the patient in question.

In the early days of the Sino-Japanese War, the Japanese were confident that the fighting would be over in three months. Even some foreign military observers also expressed fear that China could not hold out once the coastal provinces with their leading cities fell into Japanese hands. This prevailing misconception was the result of their ignorance of the peculiar political, economic and geographical conditions in China. China is a vast country with a loose political organization, a long-suffering population, a widely-scattered national economy and unbounded potentialities in the countryside. To such a country, the loss of big cities cannot prove fatal. In spite of their occupation of the cities, the Japanese failed to knock out the main body of the Chinese armies, which were able to manage to carry on the fight to the end.

The successes of the Chinese Communists have been due to the fact that their strategy and tactics are adapted to the political, economic and geographical conditions in their territory. On the other hand, the failures of the Government, according to competent observers, must be attributed to the lack of coordination between the military, political and economic factors. The Government wanted to fight a quick war and wipe out the Chinese Communists in three or six months, but it lacked the necessary political and economic coordination to put through the job.

The government armies are equipped with modern weapons, but its military organization is still old-fashioned. The Government lacks the necessary trained personnel to handle its modern weapons. It also lacks the necessary industrial production and the necessary economy to support a modern army. It was reported in the press that most of the modern weapons have become worse than useless when ammunition ran out. Besides, some heavy weapons become more of a liability than an asset in the mountainous regions. In other words, there is a big gap between the Government's strategy and the political and economic factors.

So the question of total warfare boils down to the close coordination between military, political and economic factors. It would be idle to talk about total warfare or changes in strategy or tactics if the necessary political and economic factors do not also exist. The Chinese are capital experts on working out new-fangled strategy and tactics. During the past several months we have read with interest and amusement about quite a number of new tactics such as "snow-sweeping", "mouse-catching", "heart-piercing", "hollow-square" and "stone-grinding". All these may sound nice. But really they do not make much sense as far as the real fighting is concerned. Unless the necessary political and economic factors are taken into consideration, new strategy and tactics will only work on paper.

Freedom Is Relative

LIKE virtually every other publication in China this week we put down on our list of "musts," a note to write an editorial complaining bitterly about the Government's closure of the Nanking edition of the *Hsin Min Pao* and the decision (since reversed) of the pertinent authorities to impose a crippling postage rate on magazines. While we still intend to add our voice to those objecting to two such unfair and objectionable acts, we also wish to pass on to our readers a few of our recent reflections upon the subject of freedom.

Despite the Government's oft-voiced protestations that it is a firm believer in freedom of the press, freedom of worship, freedom of speech, freedom of assembly, and so on and so on, frequent acts by various officials, sometimes national and sometimes local, tend to belie such statements. The fact is that since VJ Day officialdom has usually found some method of penalizing those publications which criticize the Government. Sometimes the "disciplinary" action is taken locally, in which case Nanking is free to say that it has no knowledge about the act in question. Sometimes the action stems from Nanking and local officials disclaim responsibility. Sometimes the action is extremely indirect so that it becomes difficult to put one's finger on the exact source.

The fact remains that pressure is frequently exerted. In the case of the *Hsin Min Pao* the suppression was direct and open. That in itself makes the case easier to judge. Minister of the Interior Peng Chao-hsien closed the paper for publishing dispatches which he said supported the Communists. He is reported to have said: "Any newspaper which violates the national interest will receive the same punishment."

We are not well enough informed on recent dispatches appearing in the *Hsin Min Pao* to argue intelligently with Minister Peng as to whether his interpretation is correct or not. Granted that the *Hsin Min Pao*, by its publication of reports criticizing the National Government's military efforts, did give comfort to the Communists. Does it necessarily follow that such

action was detrimental to the national (Kuomintang) interests? In a democracy, which is what China is now supposed to be, the publication of a military scandal should result in two things. First an investigation should be launched to determine the truth of the article. If it were found untrue, proper legal action could be taken. If it were true, a thorough-going military investigation and reform would be instituted. That is the way a democracy works and the leaders of this Government apparently have been sufficiently convinced of the benefits of such a system to try to introduce a form of it here. Obviously a certain inconsistency seems apparent.

Following the same line of thought to the effect that the present National Government is in the process of converting the country into a democratic state, the new postal rate ruling of last week which raised the postage charges of magazines to such an extent that it cost more to mail a magazine than a letter of equal weight also seems contradictory. (The regulation was rescinded following a mass protest by local publishers.) It has long been the established practice in democracies to grant special mailing rates to publications. In effect this has been a national subsidy to the press and is justified because of the realization that the press is probably the best medium for gaining and keeping an enlightened electorate which is certainly necessary if a democracy is to work well.

The more we thought about these seeming contradictions, the more we became convinced that freedom is a relative thing and that while two people may use the same words, these words may convey different meanings to each person. When an American says he believes in "freedom of the press," we know quite well what he means. He means freedom for any newspaper, whether its editorial views agree or disagree with his personal views and convictions, to publish any and all news which the editors honestly feel to be in the public interest.

He knows, however, that there is no such thing as complete freedom in society and therefore he expects the editors to use mature judgment and to avoid printing needless, harmful private or public scandalous news if publication of such will not result in the public good. This is a pretty loose thought, and its reasonable interpretation calls for trained, educated and sober-minded journalists. Even though the American press is considered to be pretty good, the American reader continually sees the dictates of good taste violated by the papers which are interested only in sensation. He sees other papers, often representing owners with vested interests, leaning over backwards to suppress news which more than likely should be published.

This presents the advocate of democracy with another problem. How can one make certain that a free press, operating in a free society, will not abuse this freedom because of the personal whims or views of important people who are in a position to influence the paper's editorial policy. This question has been argued back and forth for a great many years without any perfect solution being found to date. If you try to escape such imperfections by regulation, you have already lost "freedom." If you allow too much individual freedom, you may fall victim to a tyrant. This is a stumbling block for all democrats and the only answer to date has been to trust in the individual honesty and integrity of the men raised under the democratic system, and, in order to safeguard society from the small number of piratical individuals who always are present, to erect a few basic regulations which must not be infringed upon.

Such a line of thought, we realize, sounds utterly stupid to those used to authoritarian methods. It can be attacked by many "logical" arguments. It has many weaknesses. However, it is a compromise form of society which exists well in many countries and seems to satisfy the inhabitants thereof. The United States has risen to a position of world importance under such a system. Critics will point out that geography has been the most important factor in America's rise. However, the fact remains that a loose, compromising form of society has served it well. Today many other governments and peoples are at least giving lip service to the same general ideas of government as practiced in England and America, the two most notable examples.

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WHILE it is possible—after considerable thought—for an American democrat to realize that when a Chinese or a Russian or a Yugoslavian official says he is a firm believer in democracy he is not talking about the same thing, it is well nigh impossible for an American to realize that his own expansive talk of freedom and democracy often fails to arouse a spark of interest among other peoples. Democracy and its attendant freedoms are, in a manner of speaking, relative things. While the Chinese Government continually talks about the country's new constitution and the various freedoms which it bestows upon the citizenry, the freedoms, like freedoms in America, are not absolute. In fact such freedoms in China are so hedged in with restricting clauses and regulations that the American democrat may not recognize them as freedoms at all. However, compared, say, to the regulations governing life in China 100 years ago, the restrictions are quite mild and can be said to be hardly existent at all.

Viewed in this light is it any wonder that Americans are often unbelieving, or at least bewildered, when told that the peasants, say, of Timbuctoo are quite pleased with their present communist government, even though we obviously view it as a dictatorship? An article in the *New York Herald Tribune* of some six months ago graphically described the average Polish farmer's political views. For centuries the peasant in Poland has been in about the same condition as his Chinese counterpart. That is, he was a tenant farmer, he worked like a horse all year and was just able to get a subsistence living. Prior to the war the Polish farmer had

no freedom of speech, no right to bring just grievances to an impartial and just court. He was ground down about as far as it was possible and was kept there by political police, prisons, torture, etc. He had a monthly income of about US$0.50. Since the end of the war, he still has no personal freedoms. The same political police system exists as before. About the only difference is that the large estates have been divided and now he is no longer a tenant farmer, although he is pretty well forced to labor in the same manner, with the State supervising him directly, instead of a landlord. However, his income now is said to approximate US$1.00 per month. In short, he is in the same position as before, except that he now is a bit better off economically. Obviously it is next to impossible to tell such a man that he is being exploited and is being denied certain basic human freedoms. He doesn't know what you are talking about. He never had any freedom and he doesn't know what the word means. Anyway, he likes his present government because it has given him more than any previous one.

We don't presume to be able to supply the answers to such questions. However, we do think that realization of the vast differences between the cultural backgrounds of different peoples and the obvious result that words mean different things to different peoples, will help to explain how it is possible for the Government of the Republic of China, governing under a modern democratic constitution, to close newspapers at will.

Utility Rates

IT appears that a new howl about the high cost of utilities has broken forth following the Shanghai City Council discussions. This is a constant question which never seems to be settled satisfactorily. At one time the City Council thinks one method of computing charges would be best, at another time it thinks another method would be even better. About the only thing the members are constantly certain of is that they think utility charges are too expensive.

Various measures have been tried. The utility companies have been subsidized, so that their charges remained comparatively level. Periodic raises in rates have been agreed upon, usually, according to the companies, after such an amount of time spent in haggling that the new rates are completely out of date. A sliding scale has been tried which permitted the periodic adjustment of rates without a full dress battle between the pro's and con's.

A very simple fact, which seems constantly overlooked, is that so long as the currency depreciates at its present rate of from 20 to 30 percent per month, no charge can remain fixed if a utility or any other type of company is to stay in business. Utility rates must follow the general pattern of price increases, whether by a rising subsidy or by rising costs to the consumer.

Attempts to "prohibit" inflation by seizing upon one or two basic items such as rice or utilities and "ordering" them to remain constant in price is unrealistic. So long as the Civil War and the resultant imbalance of Government revenues and expenditures last the inflation will continue and *all* prices must go up.

25 Years Ago In *The Weekly Review*

Missionaries' Misfortunes

July 14, 1923.

William C. McLaughlin, an American missionary located at Haichow, Kiangsu province, recently sailed for the United States in an attempt to induce Washington to take some action for the protection of about 100 American missionaries located in the bandit district of Kiangsu, Shantung and Anhwei provinces. He said practically all work has been suspended and many members have gone to Haichow on the coast to escape the brigands and others are in imminent danger of capture. McLaughlin was fired on when coming on the railroad to Shanghai. The missionary says he hopes to stir Washington to the dangers of the present situation in China.

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Wake Up, America!

The fact that the American government is apparently doing nothing has left the way open for the circulation of all kinds of propaganda from Tokyo, London, Paris and other places which has been most damaging to American prestige in the Far East. It has been damaging for the reason that it has led the Chinese to believe that America has lost interest in affairs out here.....The American government has got to wake up and do something out here, otherwise the leadership will pass to others and the result is likely not to be either to the liking or best interests of America in this part of the world.

10 Years Ago In *The China Weekly Review*

Faith In America

July 16, 1938.

Wang Min, Chinese Communist Party spokesman at Hankow, revealed in his statement the weaknesses in China's war machine for resistance and urged improvements. In spite of achievement in political unity, Mr. Wang said, "China is in danger. Weaknesses exist in our political, economic and military structures; the masses are not properly organized. We must take effective measures to conquer all these serious weak points. We must consolidate our powers to resist. If we do not, we shall be slaves. The Chinese people have faith. They believe in America. They know the glorious tradition of America and her prolonged struggle for national independence. The Chinese people do not believe that the American people will disappoint them in their faith.

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Wartime Press Freedom

Dr. T. T. Li, Director of the Department of Intelligence and Publicity of the Ministry of Foreign Affairs at Hankow, paid high tribute to the Chinese press which had set a high standard of service in wartime. He said that while wartime had usually resulted in restrictions for the press, the opposite had been the situation here. The conflict had given no occasion for friction between the press and the authorities. Dr. Li declared that the Government had received full cooperation of the press.....There was criticism, of course, but the war had aroused the Chinese press, made it more lively and resourceful. "Today," declared Dr. Li, "one cannot pick up any Chinese paper without finding interesting discussion of political, military and economic questions of the hour..... including candid and constructive criticism of the government."

Report On Peiping Shooting

Jean Lyon

(Peiping, July 11).

A middle school boy from Anshan went mad yesterday. He kept pulling at his shirt front. His classmates said he was trying to tear out his heart. He kept sobbing, dry sobs which sounded like laughter. He was struggling with three fellow students when I saw him. They were trying to hold him in a ricksha so that they could take him to the hospital.

He had been the vice chairman of the student self-government group in one of the refugee camps for middle school students here. He had been a leader in the demonstration on Monday—the fatal July 5. On that day he had seen fellow students from Manchuria shot down by machinegun and rifle fire, and had seen one of his own middle school friends killed on the spot. The next day he watched gendarmes arrest the chairman of the student self-government group. After that he began to tear at his heart, saying he wanted to pull it out.

He is one of the living casualties of the July 5 tragedy. There are now at least eight students, and probably closer to thirteen who have died as a result of the shooting. There are nineteen who are still in the hospital as this is being written. Many of them, according to the doctor who have treated them, were shot in the back.

Facts, Not Rumors

These are not rumors. These are facts.

There are many rumors about what happened on July 5. But the main facts are that armed troops shot without apparent provocation into a crowd of demonstrating refugee students from Manchuria, who were already headed back to their camps, a little after seven o'clock in the evening at the east end of Peiping's Legation Street.

There were an estimated 1500 students on Legation Street at the time. They had come to demonstrate in front of Municipal Council chairman Hsu Hui-tung's private residence.

They had been divided into two groups by the police earlier in the afternoon—one to the east of Hsu's gate and one to the west of it. Between them was a cleared space where six armed gendarmes had stood for several hours—three facing east and three facing west. Two armored cars equipped with machine guns drove into the cleared space at about 6:30. At the same time armed troops of the 208th Division of the Youth Army also arrived. At least two of them had set up light machine guns on low tripods at the side of the road. One machine gun faced each group of students. I saw both the armored cars and the machine guns at about 6:45.

It was General Fu Tso-yi himself who identified the troops when he talked to a student delegation several days later. In the papers of July 9th, *Central News* quoted him as saying that "on that day Garrison Headquarters, after having declared martial law, dispatched the 208th Division of the Youth Army to maintain order."

Students Start Home

It was shortly after the troops and the armored cars had placed themselves directly between the two student groups that student delegates who had been inside Mr. Hsu's compound, talking to General Pai Shih-wei, Deputy Police Commissioner came out to tell the students who were sitting in the street that they had agreed to go home. They had said that the students were to march away in the groups, one headed west and one headed east.

General Pai himself and several police officers had followed them, and was repeating these same instructions to the students in the west group when suddenly there was firing.

Some say they distinctly heard one first shot fired, but I have talked to no one who saw where it came from. One student thought it came from the armored car. Another student thought he saw a soldier aim his rifle directly at a student song leader. Several people were not sure that they heard a first shot fired.

All they knew was that there was a burst of firing. Students dropped to the ground. Some on the outer fringes ran. Bystanders ducked for doorways or fell prone.

The firing stopped for a moment, and a few students tried to get up to help those near them who were wounded. Then another burst of firing began. There were three bursts, according to accounts. Some say it lasted three minutes. Some say it lasted fifteen minutes. To one woman bystander it seemed half an hour.

She was a Chinese woman who lived in the neighborhood. She was about 100 yards away from the center space where the armored cars were when the firing started. This is her story:

"I thought the demonstration was all over, because as I came along I heard a police officer announce to the students that they were to go home in two groups. Just then there was shooting. The bullets started to come down like rain. I fell to the ground. One student beside me was hit. I got blood all over my clothes. I saw one student get up after the first part of the firing and start to talk to the other students and to the soldiers. He said now that some of them had been killed they should all die. Then the shooting started again, and he fell down. I don't know what happened afterward, for I ran into my house as soon as the shooting was over."

Robert Burton, *United Press* correspondent, was standing in front of the group of students just a few paces from Commissioner Pai and the other police officers. This is what he told me:

"General Pai had gone out to tell the students to go home and that they would continue the discussion in the morning. There were two or three officers with him. I was just behind. While General Pai was talking the firing suddenly started. Pai himself, as well as the police officers and I all dropped to the ground. A student right next to me was shot dead. Pai and the officers and I crawled on our bellies in between the bursts of firing, back to the side of the road. Once Pai raised his hand to try to signal for the shooting to stop, but it had no effect on the soldiers. Some of the soldiers were aiming directly and deliberately at individual students as they shot. I distinctly saw them."

Orderly Demonstration

Dorothy Borg of the Institute of Pacific Relations had been watching the students for about an hour and a half. She said they had caused no trouble during that time, and had behaved very normally. They had been singing songs and talking. She thought the demonstration was breaking up and she had started walking westward on Legation street, headed home.

"The students had started to march home," she said. "They were going in the same direction I was going. Some of them turned north on Marco Polo street (a block from Mr. Hsu's house) and I had quite a hard time getting through their lines to cross the street. They were marching informally, chatting and singing. It was a perfectly orderly march. Just as I crossed the street the shooting began. I was in front of the French Consulate, and I ducked behind one of the stone lions at the gate. When I passed those lions the next day I was amazed to see how large they were. That night they seemed terribly small. All the students fell flat in the middle of the street. We could see bullets hit the street. It seemed as though the soldiers had gone berserk. The firing lasted from three to five minutes, I should say."

Most of the Chinese newspaper men who were there were standing next to Mr. Hsu's gate. When the shooting started they ran for the gate. Some of the police had the same idea, and they all fell over each other in a heap.

Various students—not picked delegations, but just the students who

have clustered around me when I have gone unannounced this past week to some six of their refugee camps, have told me that for about ten minutes after the firing stopped they lay there. A few of them tried to get up to help the wounded and were threatened by soldiers with death if they moved. After a time they were allowed to get up, and they carried some of their wounded friends to nearby hospitals. Some of the wounded were also carried to hospitals by soldiers or police. One student says he saw the soldiers out at the east end of the street commandeer students to help carry the dead to a truck.

It seems fairly certain that those who had been killed on the spot were taken either then or later by the police. Mayor Liu Yao-chang, Peiping's newly appointed mayor, has been quoted in the press here as admitting that two students were buried by the Military Police.

That students were killed is certainly a fact. How many were killed is still very difficult to establish. A Chinese reporter who was there said he counted three dead right after the shooting. Another Chinese reporter told me that he saw four dead students and a boy of about 12 who was a bystander. Burton, the *UP* man, counted four dead. The police that evening admitted verbally to four dead. *Central News* later made it three in its first official release.

There has been no official accounting of the number nor of the place of burial, except the Mayor's statement that two bodies were buried by the MP's, and a later announcement that four from the hospitals had been buried.

At Least 8 Killed

I believe it is certain that at least eight students have died, and possibly as many as thirteen. This is how I arrive at it. By today the four hospitals nearest the scene of the shooting had recorded five student deaths. Since the lowest eyewitness count of the dead on the street is three, then the total number of deaths cannot be less than eight.

However, I have a list of the names of thirteen students who have been reported to me by the students themselves as having died either on the spot or in the hospitals. Eleven of them are from Changpai College, one from the Peichung Middle School, and one from Chungcheng University. The students have listed these thirteen as dead because they have not returned to their refugee camps since the night of the shooting, and they are students who are known to have no relatives or friends to whom they can go for the night. The number of dead may even turn out to be higher than thirteen in the end, for the students say that there are nearly 40 students missing in all apart from those who have been arrested since the shooting. (Garrison Headquarters arrested 37 students on the morning of July 6th, some of whom they have already released).

Central News reported that "more than twenty security officers and men died and suffered from injuries." Not one of the eye witnesses I have talked to saw any police or soldiers being wounded, nor did they see any among the dead after the shooting was over. A check in all the four hospitals where students were taken, in the police hospital and the army hospital here, reveals that not a single "security officer" entered any of those hospitals that night with bullet wounds. The Peiping Municipal Hospital's chief surgeon, Dr. Yang Ching-po, said that he had treated three members of the police at about three o'clock that afternoon, four hours before the shooting, for lacerations on the head which they had evidently received from stones or bricks. He discharged them before nightfall. One, named Chang Lai-jen, who said he had been robbed of his pistol by a mob of students, was seen in the hospital by a Chinese reporter at 6:00 o'clock, also before the shooting.

Soldiers Not Shot

In the July 7 papers, *Central News* carried a story saying two soldiers had been killed, and named them. Later these two soldiers were reported missing, but "it was thought that they had probably been killed." Still later it was reported that they were merely missing.

Much has been made in the *Central News* reports, in General Fu Tso-yi's general statement to the public on July sixth, and in explanations by individual government people of the wrecking of the Municipal Council building by the students in the morning, of the fact that students throw stones at police in front of Hsu's house in the afternoon, of the police officers story that he had been robbed of a pistol by a mob of students, and of reports that the students insulted the police all day long.

There seems to be at least some truth in all of these accusations against the students.

The demonstration itself was inspired by newspaper reports on July 4 of a resolution passed by the Municipal Council which proposed that the Manchurian refusee students be put under military discipline in military camps. The proposal suggested that the government subsidies for them be turned over to General Fu Tso-yi, and that the students be put through a period of military training and political screening. Those who passed the tests, and showed that they had correct "thoughts," were to be placed in the Provincial Northeastern University and Middle School which are to be set up in Peiping. Those who did not were to be drafted into the army.

The Municipal Council, which has no jurisdiction over the education of the Northeastern government school students was, the students thought, taking too much into its own hands. Later it developed that the Municipal Council's resolution could not be final, and would have to have been passed on the Nanking only as a suggestion. But this the students didn't realize from the press reports.

It should be said for the Peiping Municipal Council and the city government, that they have had a tremendous problem to face in the handling of the Manchurian students. Between 8,000 and 10,000 of them have arrived here in the last two and a half months. They read or were told by their own school authorities that a Provincial Northeastern University and Middle School were to be set up in Peiping. The news started students not only from government schools, but from private schools as well, streaming down from Changchun and Mukden, some by foot, a few by plane. Neither their school nor local government authorities gave the Peiping municipal Government any warning of this migration. When students began arriving by the hundreds, there was no provision here for their food or their shelter. Some slept in old air raid shelters along the city wall for a week or two. Some slept in the parks. Some took over the building in Chung Nan Hai in which the Municipal Council holds its meetings, and had to be ousted when the Council went into session.

Peiping's Bureau of Social Welfare, under Wen Chung-hsing, who has since become secretary general of the Municipal Government, did its best to find places for the refugee students. They were put into temples and other public buildings. One group is even living in the Chien Men tower—one of the big city gates. The shelters are inadequate, overcrowded. Up to July 6, 5,383 of the students had been somehow temporarily housed. The others seem to have found friends and relatives with whom they can stay. But new batches are arriving almost every day.

Tremendous Problem

The Bureau also tried to give the students food. Some were eligible for government flour and they were told how to apply for it. But there were over 3,000 private school students who had nothing. On June 10 the Bureau began giving them a free daily ration of cornflour, which the Bureau had to buy on borrowed funds which it still hopes eventually to pay back with once promised China Relief Mission funds not yet received.

The promised Provisional university and middle school have not yet been opened, and when they do open it is not likely that they will be able to take in more than 1,000 students each.

This still leaves Peiping with a tremendous student refugee problem which neither the Municipal government nor the Municipal Council has been able to solve.

If the Council's reported suggestion that the refugee students all be turned over to the military authorities for handling was made seriously it was at best rash. It is understandable, perhaps, that the Council should snatch at any straw to solve the problem. But such a solution was not designed to give some 8,000 homeless, unhappy, underfed, poorly housed, insecure students confidence in the Municipal Council.

The students, on their part, had thought that they were being promised further educaion if they came

to Peiping. They were no doubt sorely misled. But that was what they say they honestly thought. Conditions in Changchun and Mukden and the surrounding areas were growing more and more difficult. Their own people were migrating to south of the Wall at the rate of at least 2,000 a day for awhile. So they, too, came.

Some have told me that as they went through the communist areas the communists tried to talk them into staying there. "They treated us very well," several students said. "But we didn't want to stay with them."

When on Sunday, July 4, these students read in the newspapers that the Peiping Municipal Council wanted them to be put into military camps, they were angry. At least a half a dozen of them have told me that they were member of the Youth Army, and resigned in order to go on to school. To be put back in the army, without any choice in the matter, was not what they had come to Peiping for. So Sunday night some of them held a meeting, and decided to go in a body to the Municipal Council the next morning to protest.

At about 9:00 o'clock on the morning of the fifth they were assembled at the Council building. The students say that they asked the Councillors to come out to talk to them. They wanted to present their protest. Evidently there were no Councillors in the building, and staff members refused to come out. The students grew angrier. They started throwing rocks at the building, and broke practically all its window. A group of them then went inside the building and moved through the ground floor like a cyclone, upsetting and breaking furniture in nine rooms.

The police there at that time were unarmed.

The students themselves have admitted to me all of this, and have even said that they knew they shouldn't have done it.

At approximately noon the demonstrators who by this time had swelled to an estimated 5,000, moved over to Vice President Li Tsung-jen's home. They sent in two separate delegations to see the Vice President, who received each group.

Students said that General Li was sympathetic and that he had promised to do what he could for them in presenting their case to Nanking. But he said he had no authority over the Municipal Council, which was a people's organ, and therefore he could not insist that Council chairman Hsu see them.

The students left General Li's only partially satisfied. They still wanted to see Chairman Hsu, and had by that time decided that they wanted an apology from him on behalf of the Municipal Council.

Some of the students left the demonstration at this sage. But about 1500 marched down to the Legation quarter to Chairman Hsu's private residence in east Legation Street.

The house was well protected with police, although they were mostly unarmed then. Armed guards stood at the gate, and inside the compound. The gate, however, was closed and locked. Several times groups of students tried to push it open. They didn't succeed. Finally a group climbed over the wall at the side, tearing out some of the bricks. The students began throwing bricks, taken from the wall, at the police inside. That was when some of the police were hurt. The police fired several shots into the air, and the students retreated.

Police Claim

Sometime during this mid-afternoon period the police claim that a group of students mobbed police officer Chang and took the pistol out of his holster. I have found no one who actually saw this incident. On July 8, *Central News* reported that a student had been arrested for the robbery and the pistol was recovered with one shot fired out of it. Several police had their hats knocked off by students during the afternoon.

Around four o'clock a delegation of 18 students was allowed to come into Mr. Hsu's compound to wait for Police Commissioner Pai, who was reported to be consulting with General Fu Tso-yi. Mr. Hsu himself never appeared.

Police meanwhile had divided the students outside into the two groups and put armed guards between them. The students were by then orderly and quiet and remained that way. It was hot, and most of them were sitting on the road or over on the sidewalks in the shade. They were singing spasmodically. Nothing happened to provoke the police or guards for at least the last two hours before the students were fired on.

Much discussion here has centered around who fired the first shot, which seemed to be either a signal to the troops or caused them to lose their heads.

General Fu Tso-yi said in his July 6 statement that the first shot had been fired by "plotting, violent elements who had mixed in with the students." Whether he meant violent elements from the left or from the right, no one seems to know. Most government opinion, however, seems to be that the incident was deliberately instigated by communist agitators.

There are several complicating facts in local politics here which have led to much speculation as to where the blame really lies.

One is that only about three weeks ago the Commissioner of Police, General Tang Yung-hsien, was violently attacked in a Municipal Council meeting which ended in a free-for-all with inkbottles and teacups being thrown around the Council room. The entire police force promptly resigned, and Commissioner Tang was definitely ousted. The police force is still functioning, technically waiting word from Nanking, but police and Municipal Council relationships have been under something of a strain.

A second situation is that the head of the Bureau of Civil Affairs of Peiping, Ma Han-san, was arrested on July first on charges of corruption placed by central authorities in Nanking. He is generally believed to have been the chief man in North China in the Kuomintang's secret service organization, formerly known as the BIS. General Fu Tso-yi is said to have been in favor of his arrest.

A third local upset has been the change of mayors, which also happened on July 1. Mayor Ho Sze-yuan, the outgoing mayor, had boasted to Chinese newspaper men just two days before the shooting of the students, that during his tenure of office he had "not killed a single student." The incoming mayor, Liu Yao-chang, is believed to be General Fu's choice.

Stronger Control

A fourth change locally is that, also on July 1, the President's Peiping Headquarters, which had been under General Li Tsung-jen, and which had jurisdiction over North China civil and political affairs, was abolished. What powers it had were transferred to General Fu Tso-yi's North China Bandit Suppression Headquarters. This means, of course, stronger local control by General Fu.

Still another element in the situation is that many of the wealthy refugees from Manchuria who are here now, are dissatisfied with recent curbs upon the exchange of Northeastern currency in Peiping. They might possibly have some influence with the Northeastern students, and might possibly have welcomed some disturbance which would bring the Northeastern problem to the fore.

What any or all of these facts can have had to do with the Monday demonstration and its outcome, no outside observer can tell.

Besides these facts there is the relationship of this entire event to the student movement in North China, which has so actively expressed itself in the last several months on such things as American policy in Japan and the problem of student arrests.

Oddly enough the students of Peita, Tsinghua, and Yenching, who are usually the leaders in the student demonstrations here in Peiping, seem to have had very little to do with the Northeastern students before July 5. Some government persons have suggested in private conversation that the local students were mixed up in the Monday demonstration, and were, in fact, the communist agitators among the Northeastern group that day. I cannot say whether they are right or wron. I can only say that the student self-government organizations of the local universities, which are usually well informed on student demonstrations and plans, knew nothing of Monday's demonstration until well after it had started.

I was told at Peita that when the Northeast students first arrived here some of the local students tried to send them gifts and

letters of welcome. These were returned. Peita students believe that the Northeastern students had been warned not to mingle with the local university students.

On Monday night, however, after the shooting, Northeastern students sent representatives to the local university students. On Tuesday students of eight local colleges and universities sent a formal protest against the July 5 shooting to Vice-President Li Tsung-jen.

Joint Demonstration

By Friday, July 9, the local university students and the Northeastern students had apparently become united, for on that day they held a joint demonstration, which started in front of Vice-President Li's house, and ended in a solemn and impressive funeral march through the city's main streets. With Vice-President Li's help, the students won the protection of unarmed, even polite, police for that funeral march. It was the largest demonstration Peiping had seen for months. Estimates of the number ran from 5,000 to 10,000. Police Commissioner Pai himself rode at the head of the procession on a bicycle.

On that day, one of the slogans which was shouted most often was, "Who is the murderer? Fu Tso-yi!" and even "Death to Fu Tso-yi!"

This has caused a series of reactions, and may be the cause of a split in the ranks of the Northeastern students. There seem to be some who feel that they were railroaded into shouting those slogans by the local students. They evidently wanted to apologise to General Fu. How large this group is, no one knows yet. A *Central News* story appeared on July 10 stating that 10 student representatives of Northeastern universities had signed an apology to General Fu. But the next day the newly formed Northeastern students organization issued a denial that their representatives had ever signed any such statement. One of the Tungpei University students who was said by *Central News* to have signed the statement said himself that he had refused to sign it when it was suggested by a group of Northeastern "elders" (seven of whom, he said, were National Assembly delegates) to the students. He said his name was used on it without his knowledge or consent.

This split is indicative of the confusion and bewilderment among the Northeastern students. They cannot understand why their schoolmates were shot down like enemies of the government. They are still anxious not to become enemies of the government. But if some of them, consciously or unconsciously, do become enemies of their government, it will not be surprising.

"The communists told us that we'd find out how badly the government would treat us," one of them said. "We should have listened. We should have listened."

COMMUNIST IDEAS ON TREATMENT OF BUSINESS

ALEC STOCK

BY this time it is common knowledge that the land program of the Chinese Communists has been modified to the degree where it has enabled some interested parties to refer to the Communists as mere "agrarian reformers." For example, there is no doubt that the landlords in areas taken over by the Communists have not been wiped out en masse.

Reports have been circulated of Communist ideas on treatment of business. Although the Communists have not yet taken over any very large cities there is a good deal of thought and speculation in business circles throughout China as to what might be done should this occur. One of the questions uppermost in the minds of these groups is whether or not the Communists actually will protect industry and commerce as they have claimed they will.

On one hand there is a feeling that perhaps the Communist plan for large cities is a complete and thorough nationalization of industry by a "factory to the workers" movement while, on the other hand, reports seeping through from the "Liberated Areas" have given business people some facts which tend to reveal that at present the industrial policy is following the path of the land program. Namely, tendencies which are considered "too left" are frowned upon.

Recent news carried in an official Communist Hongkong organ, revealed that not only were the Communists correcting "left" methods in their land reform program but they were trying to avoid the confiscation of the landlords' industrial and business establishments in order that industry could continue to develop and increase production with confidence. Although, the present censorship makes it most difficult to prove this as a solid fact, at this stage of the Civil War it is certainly worthy of consideration—which it is receiving in a number of circles.

The Communists repeatedly have stated that they will abolish the landlord system but not the landlords as an entity. They also state that they will confiscate only bureaucratic capital (the holdings of the official class) and the capital of "business monopolies." If this appears as a Marxist deviation or contradiction the answer given is that in China's present condition there is only one answer; that is, production and industry must be developed and that this can be best brought about through building on what meager industry already exists. It is claimed that the two large obstacles to the development of the Chinese economy are the giant business monopolies now in existence and the feudal land system.

Industrial Aims

Mao Tze-tung has stated that the Communist Party's industrial policy aims "at the development of production, prosperity to the economy, equal treatment to the public and profit to labor and capital." Anything which deviates from the policy of protecting and promoting industry is considered incorrect. Even in their land reform movement, the Communists have firmly attempted to protect "bona fide commercial and industrial interests."

Since the development of industry and production are paramount in the Communist plans for treatment of business it is interesting to look into at least two aspects of this policy. One is their viewpoint on industrial wages and the other is their outlook on taxation with regard to business.

According to a report emanating from Hongkong, some parts of the area in Communist hands saw a rise in the wage scale of such proportions that, disregarding the conditions of the factories, it only succeeded in making the price of goods so high that they were not sellable. This, in turn, was a hindrance to enlarging production. Some of the factories were unable to be self-supporting and a number of the government-owned factories had to be subsidized in order to carry on. The defenders of this method of top wages said that it is for the protection of the workers.

However, official policy ruled that the method did not promote production and that it would inevitably cause the newly born industries to shrivel and die. It was declared that this was a policy of suicide for the labor movement and that a blind and unreasonable demand for high wages would engender a misconception among the workers and would lead to friction among other classes, especially on the part of the farmers.

Proper Rewards Needed

On the other hand, even after correcting this misconception, it was felt that steps had to be taken to forestall another possible danger. That would be to ignore the fact that an intelligent way of handling the problem of workers' wages would serve as a great impetus in pushing production forward. Therefore, there must be proper rewards made to personnel who best serve in

improving production and cutting down costs while justice should be meted out to those who are involved in corruption, swindling or wasting materials. Unless these factors are taken into consideration it is considered that great harm can be done to any attempt to build up industrially.

Another mistake which it is felt must be avoided is the placing of ordinary workers and specialized technicians on the same standard of living. If technicians, who are trained, do not receive more compensation than the general worker it not only will be harmful to their will to work efficiently but it will also leave little incentive for the worker to try to improve his position and, incidentally, strive for better methods of production.

Wage Policy

The Communists right now feel that a farsighted and realistic wage policy calls for a system which is reckoned in terms of the existing general standard of living and the scale existing prior to the arrival of the Communists, as well as additional and reasonable pay adjustments. This system has to be established according to the actual conditions of the industry and commerce in whatever area the attempt is to be made. Before setting up any wage plan it is also deemed necessary to hold preliminary discussions and planning by the factory owner, the factory Control Committee, the Wage Committee and representatives of the workers. Based on past and present conditions of the factory a decision can be made as to what steps may be taken. Both workers and management are to get together and make plans for production as well as a wage and bonus plan.

Such matters as uniform working hours, in addition to wages, can best be settled when making allowances for different conditions in different factories. But, it is continuously stressed, the basic determinent is what will be most beneficial to production. Even when working on salaries for technicians and top staff members the same policy is to be adopted. It is felt that a definite bonus plan must be used as a means of encouraging production, strengthening the position of the more energetic workers, improving the quality of the product and helping to eliminate waste.

Taxation Of Business

On the subject of a taxation policy for business, the Communists in their official statements reveal that their desire is to install a system which will protect both commerce and industry. However, even here they have considered it advisable to differentiate between industry and commerce. Industry is looked upon as being the more important of the two by virtue of the fact that it is primary in producing and developing the wealth of the nation.

As a result, demands have constantly been voiced for lighter taxes on industry than on commercial enterprises. In fact, this is considered the first principle in the business taxation policy in Communist territory. In line with this, it has been advocated that a different scale of taxation should be used for industry which produces daily necessities and industry which produces non-essential goods and luxuries. The third step taken in forming a taxation policy was to do away with the many-fold Nationalist taxes and instead use only one over-all tax.

Although they have these definite ideas on how to handle the matter of taxing business, the Communists quite freely admit that in first putting them into practice, in view of their limited experience, they will meet with difficulties. Since the collection of a regular levy is not particularly easy in the first stages in any region it is felt that the various localities should adopt provisional measures in accordance with existing conditions. For example, in one section under their control, during a discussion between local Communist leaders and business people it was decided that a plan of paying taxes for six months could be enforced. After a careful study of the capital, productive capacity and prospective market of factories and firms in a number of cities in the area, a prospectus was placed before the capitalists of the enterprises concerned. After a consultation among themselves, another parley between local leaders and representatives of the business heads resulted in a figure suitable to both parties which was to be enforced fairly and according to ability to pay.

Capitalists Willing

The collection of the tax takes place at the termination of the period decided upon. Throughout the period the tax is not to be increased even should the scope of the business be enlarged. When conducted on such a scale many capitalists are not at all reluctant to participate. Since the amount of taxation is made public there is no deterrant to each enterprise doing its utmost to broaden its horizons during the agreed time.

A recent statement by a Communist economist in Hongkong is typical of present Communist trends on business treatment. "As we liberate more cities the development of commerce and industry comes on the heels of land reform, and solving the concrete problem of managing commerce and industry looms more important on the daily agenda of the party. The correct application of the theory and policy of our ideology can be assured if the welfare of the masses are adhered to, plans carried out and our mistakes corrected."

Though the material dealt with in this article is too scanty to offer conclusive proof of what is happening and what man happen to business under the Communists, it is felt that, when the channeling of their land reform policy into new directions is taken into consideration, certain basic evidence of what is in store for business can be gained in spite of the difficulty of obtaining data.

CHINA-US ECONOMIC AGREEMENT

TEXT OF TREATY BETWEEN TWO COUNTRIES FOR IMPLEMENTATION OF CHINA AID ACT OF 1948

(After much negotiation, a Sino-American bilateral agreement was signed in Nanking on July 3. The agreement, which is valid until June 30, 1950, included a basic document similar to the agreements between America and the European Recovery Program nations. The complete text follows.)

Preamble

The Government of the United States of America and the Government of the Republic of China:

Considering that it is the policy of the Government of the United States of America to extend economic assistance to the people and the Government of China in accordance with the provisions of the China Aid Act of 1948; and

Considering that it is the policy of the Government of China to undertake a vigorous program of self help in order to create more stable economic conditions in China, and to improve commercial relations with other countries,

Have agreed as follows:

ARTICLE I.

The Government of the United States of America undertakes to assist China, by making available to the Government of China or to any person, agency or organization designated by the latter Government such assistance as may be requested by it and approved by the Government of the United States of America. The Government of the United States of America will furnish this assistance under the provisions, and subject to all of the terms, limitations and conditions, of the China Aid Act of 1948 (other than Section 404 (B) thereof), acts amendatory and supplementary thereto and appropriation acts

thereunder, and will make available to the Government of China only such commodities, services and other assistance as are authorized to be made available by such acts. The Government of the United States of America may suspend or terminate at any time the assistance under this Article.

ARTICLE II.

1. In order to achieve the maximum improvement of economic conditions through the employment of assistance received from the Government of the United States of America, the Government of China undertakes

(a) to adopt or maintain the measures necessary to ensure efficient and practical use of economic resources available to it, including:

(1) such measures as may be necessary to ensure that the commodities and services obtained with assistance furnished under this Agreement are used for purposes consistent with this Agreement;

(2) to the extent practicable, measures to locate, identify and put into appropriate use in furtherance of its efforts to improve economic conditions in China, assets and earnings therefrom which belong to nationals of China and which are situated within the United States of America, its territories or possessions. Nothing in this clause imposes any obligation on the Government of the United States of America to assist in carrying out such measures or on the Government of China to dispose of such assets;

(b) to promote the development of industrial and agricultural production on a sound economic basis;

(c) to initiate and maintain financial, monetary, budgetary and administrative measures necessary for the creation of more stable currency conditions and for the promotion of production and marketing of goods for domestic consumption and export; and

(d) to cooperate with other countries in facilitating and stimulating an increasing interchange of goods and services with other countries and in reducing public and private barriers to trade with other countries.

2. The Government of China will take the measures which it deems appropriate to prevent, on the part of private or public commercial enterprises, business practices or business arrangements affecting international trade which have the effect of interfering with the purposes and policies of this Agreement.

ARTICLE III.

1. The Government of China undertakes to make all practicable efforts to improve commercial relations with other countries, including measures to improve the conditions affecting the carrying on of foreign trade by private enterprises in China.

2. The Government of China, in carrying out the provisions of Paragraph 1 of this Article, will, among other measures, administer such import and exchange controls as are, or may be made necessary by the exigencies of China's international balance of payments and the foreign resources available to the Government of China, in a uniform, fair and equitable manner.

3. The Government of the United States of America and the Government of China will consult, upon the request of either, regarding any matter relating to the application of the provisions of this Article.

ARTICLE IV.

1. All commodities provided by the Government of the United States of America pursuant to this Agreement shall be processed and distributed by commercial enterprises or by private or Chinese Government agencies, and in accordance with terms and conditions, agreed upon from time to time between the Government of the United States of America and the Government of China.

2. The Government of China, in consultation with representatives of the United States of America, will take all appropriate steps designed to achieve fair and equitable distribution within the areas under its control of commodities provided by the Government of the United States of America pursuant to this Agreement and of similar commodities imported into China with other funds or produced locally. To the extent that circumstances and supply availabilities permit, a distribution and price control system shall be inaugurated or maintained in urban centers of China with the intent of insuring that all classes of the population shall receive a fair share of imported or indigenously produced essential civilian supplies. In permitting expendable commodities made available under this Agreement to be utilized in support of the Chinese efforts to improve consumption and price controls, it is understood that the Government of the United States of America takes no responsibility for the success of these urban programs.

3. The prices at which supplies furnished by the United States of America pursuant to this Agreement will be sold in China shall be agreed upon between the Government of the United States of America and the Government of China.

ARTICLE V.

1. The provisions of this Article shall apply only with respect to assistance which may be furnished by the Government of the United States of America on a grant basis pursuant to this Agreement.

2. The Government of China agrees to establish a special account in the Central Bank of China in the name of the Government of China (hereinafter called the special account) and to make deposits in Chinese currency to this account as follows:

(a) The unencumbered balance at the close of business on the day of the signature of this Agreement in that special account in the Central Bank of China in the name of the Government of China established pursuant to the Agreement between the Government of the United States of America and the Government of China made on October 27, 1947, and any further sums which may from time to time be required by such Agreement to be deposited in that special account. It is understood that subsection (E) of Section 114 of the Foreign Assistance Act of 1948 constitutes the approval and determination of the Government of the United States of America with respect to the disposition of such balance referred to in that Agreement, and

(b) The unencumbered balances of the deposits made by the Government of China pursuant to the exchange of notes between the two Governments dated April 30, 1948.

(c) Amounts commensurate with the indicated dollar cost to the Government of the United States of America of commodities, services and technical information (including any costs of processing, storing, transporting, repairing or other services incident thereto) made available to China on a grant basis pursuant to this Agreement less, however, the amount of deposits made pursuant to the exchange of notes referred to in subparagraph (b). The Governmnt of the United States of America shall from time to time notify the Government of China of the indicated dollar cost of any such commodities, services and technical information and the Government of China will deposit in the special account at such times as may be specified by the Government of the United States of America a commensurate amount of Chinese currency computed at a rate of exchange to be agreed upon between the Government of the United States of America and the Government of China. The Government of China will upon the request of the Government of the United States of America make advances which shall be credited against deposits in the special account subsequent notifications pursuant to this paragraph.

3. The Government of the United States of America will from time to time notify the Government of China of its requirements for administrative expenditures in Chinese currency within China incident to operations under the China Aid Act of 1948 and the Government of China will thereupon make such sums available out of any balances in the special account in the manner requested by the Government of the United States of America in the notification.

4. The Government of China will further make such sums of Chinese currency available out of any balances in the special account as may be required to cover: A. Expenditures required to carry out the purposes of the Joint Commission on Rural Reconstruction in China as provided for by Section 407 of the China Aid Act of 1948; and B. Costs (including port, storage, handling and similar charges) of transportation from any point of entry in China to the consignee's designated point of delivery in China of such relief supplies and packages as are referred to in Article VII.

5. The Government of China shall dispose of any remaining balance in the special account only for such purposes as may be agreed from time to time with the government of the United States of America including in particular: A. Sterilization as a measure of monetary and financial stabilization; B. Expenditures incident to the stimulation of productive activity and the development of new sources of wealth including materials which may be required in the United States of America because of deficiencies or potential deficiencies in the resources of the United States of America; C. Expenditures upon projects or programs the external costs of which are being covered in whole or in part by assistance rendered by the Government of the United States of America or by loans from the International Bank for Reconstruction and Development; or D. Expenditures upon uncompleted relief or work relief projects undertaken pursuant to the Agreement between the Governments of the United States of America and China of October 27, 1947.

6. The Government of China will maintain the value in terms of United States dollar equivalent of such amount of the special account as is (A) indicated by the Government of the United States of America as necessary for administrative expenditures referred to in paragraph 3 of this Article; (B) required for the purposes of paragraph 4 of this Article; and (C) agreed between the two Governments to be necessary to defray the expenses in Chinese currency associated with reconstruction projects or programs the external costs of which are met in whole or in part by assistance rendered by the Government of the United States of America pursuant to the Agreement. The Government of China will carry out this provision by depositing such additional amounts of Chinese currency as the Government of the United States of America may from time to time determine after consultation with the Government of China.

7. Any unencumbered balance remaining in the special account on April 3, 1949, shall be disposed of within

China for such purposes as may hereafter be agreed between the Governments of the United States of America and China, it being understood that the agreement of the United States of America shall be subject to approval by act or joint resolution of the Congress of the United States of America.

ARTICLE VI

1. The Government of China will facilitate the transfer to the United States of America for stockpiling or other purposes of materials originating in China which are required by the United States of America as a result of deficiencies or potential deficiencies in its own resources upon such reasonable terms of sale, exchange, barter or otherwise and in such quantities and for such period of time as may be agreed to between the Governments of the United States of America and China after due regard for the reasonable requirements of China for domestic use and commercial export of such materials. The Government of China will take such specific measures as may be necessary to carry out the provisions of this paragraph. The Government of China will, when so requested by the Government of the United States of America, enter into negotiations for detailed arrangements necessary to carry out the provision of this paragraph.

2. The Government of China will, when so requested by the Government of the United States of America, negotiate such arrangements as are appropriate to carry out the provisions of paragraph (9) of subsection 115 (B) of the Foreign Assistance Act of 1948 which relate to the development and transfer of materials required by the United States of America.

3. The Government of China, when so requested by the Government of the United States of America, will cooperate wherever appropriate, to further the objectives of paragraphs 1 and 2 of this Article in respect of materials originating outside of China.

ARTICLE VII.

The Government of China will, when so requested by the Government of the United States of America, enter into negotiations for agreements (including the provisions of duty free treatment under appropriate safeguards) to facilitate the entry into China of supplies of relief goods donated to or purchased by United States voluntary non-profit relief agencies and of relief packages originating in the United States of America and consigned to individuals residing in China.

ARTICLE VIII.

1. The two Governments will, upon the request of either of them, consult regarding any matter relating to the application of this Agreement or to operations or arrangements carried out pursuant to this Agreement.

2. The Government of China will communicate to the Government of the United States of America in a form and at intervals to be indicated by the latter after consultation with the Government of China:

(a) detailed information regarding projects, programs and measures proposed or adopted by the Government of China to carry out the provisions of this Agreement;

(b) full statements of operations under this Agreement, including a statement of the use of funds, commodities and services received thereunder, such statements to be made in each calendar quarter;

(c) information regarding its economy and any other relevant information which the Government of the United States of America may need to determine the nature and scope of operations and to evaluate the effectiveness of assistance furnished or contemplated under this Agreement.

3. The Government of China will assist the Government of the United States of America to obtain information relating to the materials originating in China referred to in Article VI which is necessary to the formulation and execution of the arrangements provided for in that Article.

ARTICLE IX

1. The Government of China will keep the people of China fully informed of the progress achieved by the Government of China in implementing the undertakings contained in this Agreement designed to achieve more stable economic conditions in China, and it will provide continuously information to the people of China regarding the nature and extent of assistance furnished pursuant to this Agreement. It will make such information available to the media of public information and will take practicable steps to ensure that appropriate facilities are provided for the dissemination of such information.

2. The Government of the United States of America will encourage the dissemination of such information and will make it available to the media of public information.

3. The Government of China will make public in China in each caldendar quarter full statements of operations under this Agreement, including information as to the uses of funds, commodities and services received.

ARTICLE X.

1. The Government of China agrees to receive a Special Mission for Economic Cooperation which will discharge the responsibilities of the Government of the United States of America in China under this Agreement.

2. The Government of China will, upon appropriate notification from the Ambassador of the United States of America in China, consider the Special Mission and its personnel as part of the Embassy of the United States of America in China for the purposes of enjoying the privileges and immunities accorded to that Embassy and its personnel of comparable rank. The Government of China will further accord appropriate courtesies to the members and staff of the Joint Committee on Foreign Economic Cooperation of the Congress of the United States of America and will grant them the facilities and assistance necessary to the effective performance of their responsibilities.

3. The Government of China will extend full cooperation to the Special Mission and to the members and staff of the Joint Committee. Such cooperation shall include the provision of all information and facilities necessary to the observation and review of the carrying out of this Agreement, including the use of assistance furnished under it.

ARTICLE XI.

1. The Governments of the United States of America and China agree to submit to the decision of the International Court of Justice any claim espoused by either Government on behalf of one of its nationals against the other Government for compensation for damage arising as a consequence of governmental measures (other than measures concerning enemy property or interests) taken after April 3, 1948 by the other Government and affecting property or interest of such national including contracts with or concessions granted by duly authorized authorities of such other Government. It is understood that the undertaking of each Government in respect of claims espoused by the other Government pursuant to this paragraph is made in the case of each Government under the authority of and is limited by the term and conditions of such effective recognition as it has theretofore given to the compulsory jurisdiction of the International Court of Justice under Article 36 of the Statute of the Court. The provisions of this paragraph shall be in all respects without prejudice to other rights of access, if any, of either Government to the International Court of Justice or the espousal and presentation of claims based upon alleged violations by either government of rights and duties arising under treaties, agreements or principals of international law.

2. The Governments of the United States of America and China further agree that such claims may be referred in lieu of the Court to any arbitral tribunal mutually agreed upon.

3. It is further understood that neither Government will espouse a claim pursuant to this Article unless the national concerned has exhausted the remedies available to him in the administrative and judicial tribunals of the country in which the claim exists.

ARTICLE XII.

1. This Agreement shall become effective on this day's date. It shall remain in force until June 30, 1950 and, unless at least six months before June 30, 1950, either Government shall have given the other notice in writing of intention to terminate the Agreement on that date, it shall remain in force thereafter until the expiration of six months from the date on which such notice shall have been given. Article V shall remain in effect until all the sums in the currency of China required to be disposed of in accordance with its own terms have been disposed of as provided in such Article.

2. This Agreement may be amended at any time by agreement between the two Governments.

3. The Annex to this Agreement forms an integral part thereof.

4. This Agreement shall be registered with the Secretary-General of the United Nations.

In witness whereof the respective representatives duly authorized for the purpose have signed the present Agreement.

Done at Nanking in duplicate in the English and Chinese language, both texts authentic, this 3rd day of July 1948, corresponding to the 3rd day of the seventh month of the thirty-seventh year of the Republic of China.

ANNEX

1. It is understood that the requirements of paragraph 1 (a) of Article II, relating to the adoption of measures for the efficient use of resources would include, with respect to commodities furnished under the Agreement, effective measures for safeguarding such commodities and for preventing their diversion to illegal or irregular markets or channels of trade.

2. It is understood that the Government of China will not be requested, under paragraph 2 (a) of Article VIII to furnish detailed information about minor projects or confidential commercial or technical information the disclosure of which would injure legitimate commercial interests.

3. It is understood that the Government of the United States of America in making the notifications referred to in paragraph 2 of Article X would bear in mind the desirability of restricting, so far as practicable, the number of officials for whom full diplomatic privileges would be requested. It is also understood that the detailed application of Article X would, when necessary, be the subject of inter-governmental discussion.

Economic Review For The First Half Of 1948

T. R. Lee

(July 3)

THE first half of 1948 has passed, but its lessons will long be remembered. It is true that 181 days are not a very long period, but the changes witnessed during this time never have been experienced by China in the past.

President Truman announced on March 11 that the Communist Party would not be included in the China aid program and denied that there had been an attempt by Secretary of State George C. Marshall to set up a coalition government in China.

The American China Policy has been clarified. At the same time, Nanking was set on her policy to "call on all underground Communists to give themselves up." The election of the President and the formation of the new government killed the last possibility of reconciliation. On the other hand, the Communists were hot in advocating a new PCC and a new coalition government.

The American government, the KMT and the Communists, all have made known their plans. They know exactly where they are, leaving behind the bewildered people, who are perplexed by the changes, especially by the economic changes. Since people are interested in their business and livelihood, and as these changes do and will affect their interests, they continuously ask, "What's next? What will happen in the next six months?"

One can deny facts, but they always remain. One may assure the people that there will be no Communists in six month's time, but the area involved in war is becoming larger. Nowadays there is not a complete line running in the North. The whole of the Northwest, with Changchun, Mukden and a dozen small towns near the latter, is beyond the reach of the KMT, while the Peiping-Mukden, Peiping-Suiyuan, Peiping-Hankow, Tatung-Pucheng, Tientsin-Pukow, Taiyuan-Shihchiachwang, Chingchow-Chengteh lines are cut up. In Jehol, only Chengteh and Lienping remain intact, and in Shansi, only Taiyuan and Tatung. Meanwhile, the opponents, under constant air attacks, are reportedly to have been operating a rather long and continuous line: Hsian-Kaiyuan, Hsian-Szepingkai, Szepingkai-Tungliu and Tungliu-Singlitung-Fushing. A "North China Liberated Area" has been set up over the seven provinces of North China. To deny these facts would be of no use and would not help solve any problems.

Effect On Economy

Here in Shanghai, much information is not available, but small items picked up here and there will enable us to view the telling effect of the civil war on the economy. If the KMT's war efforts were as effectual as the generals had promised, the effect of the civil war on the economy would not be so serious, and the Chinese people might still enjoy a life where CNC-$1,000,000 could purchase a picul of rice. But the military situation is not very rosy. The withdrawal from Yenan had much to do with the price boom in March. The fall of Kaifeng on June 23 agitated the Shanghai market to an extent of a 25 percent rise in commodity prices. It is obvious that the worsening of the military situation deeply aggravates the economic crisis.

As areas under Government control diminish, a shortage of supply is the immediate result. Owing to corruptive local ruling forces, escape and runaway of the able-bodied has prevailed. The people of Fukien, Kwangtung, Kwangsi and Yunnan revolted against conscription, taxation in kind and other types of levies. Once a revolt starts, the peasants are not able to remain and till the land. Thus the number of armed and unproductive people increases.

The shortage of manpower is not the only factor crippling agrarian production. There are other factors: (1) burden of taxation in kind and the compulsory sale of produce which cannot be effected in the North and Northwest have been imposed on the peasants of Central and South China. (2) High interest rate prevails among the peasantry. Loans are not based on CNC but on tangible goods. For instance, one picul of rice borrowed in the spring must be returned at from 1.8 to 3 piculs in the autumn. Such a high rate of interest deprives the farmers of further cultivation. (3) Unreasonable compulsory-sale of produce has taught the farmers to keep cotton for their own clothing or else they have to sell it below cost price. Enlarging of production is rendered impossible. It is also the case with wheat, cocoons, tea and tung oil.

Markets Shrunk

Increasing production in industry was not possible with few supplies from the rural districts. Owing to the running out of the foreign exchange balance, imported raw materials have become a luxury nowadays. The shortage of raw materials, together with the skyrocketing of commodity prices and high interest rates have made the return from sales not enough to cover the replacement costs. On the other hand, markets shrunk incredibly. In the past, there were still considerable quantities of commodities in the hands of consumers. But now even speculators, for fear that the government might register their stock and buy it, center their interest in speculation of US notes, gold bars, stock and shares. Exportation was strangled by an absurd foreign exchange policy. Thus, the overseas market is by no means promising. Furthermore, many a factory and mine up North has fallen into the hands of the Communists. Under such circumstances, it is difficult to see how industrial production can be increased.

The unfavorable military situation on the other hand has accelerated undue consumption. As a result of unexpected defeats, huge resources and supplies stored in many cities have been lost. The losses due to the fall of Loyang, Paochi, Weihsieh and Funyang were considerable. It was reported that the supplies at Weihsieh alone were sufficient to equip five Communist columns and feed them for two years. The fall of big cities fully stocked with supplies was seldom seen in the past, but in the first six months of 1948 such unlucky news has become quiet common. Doubtlessly, it aggravates the already heavy burden on Nanking.

Price Advance

Under these circumstances, soaring of commodity prices is inevitable. In a place like Shanghai which is far behind the front, commodity prices advance at more than a geometric progression. Even in places as far away as Canton, Kunming and Chungking there is no exception. Commodity prices in these places have travelled, in the past six months, a longer range than they did for the whole of 1947. Here we quote the indices of wholesale prices in Shanghai, Canton, Chungking and Kunming, compiled by the Economic Research Department of the Central Bank of China.

	Dec. 31 1947	June 28/9 1948	Ratio
Shanghai	95,923	1,651,923	17.22
Canton	93,515	1,501,690	16.06
Chungking	48,139	721,567	14.99
Kunming	89,328	2,054,571	23.00

The fact that these cities recorded a rise of 15 to 23 times within a period of six months is an indication of the critical state of the *fapi*. This is the key point marked by the rise of commodity prices.

Taking the recent June soaring of prices as an example, commodity prices rose continually and entered a state of absurdity on June 25 and 26. Within 25 days, commodity prices in Shanghai soared on an average of 250 percent. On June 1, gold bars were only 590 million, US Notes 1.15 million, but on the 26th, bars went up to 2,200 million and US Notes 4.4 million with increases of 273 and 283 percent respectively. Soaring of other commodities was by no means milder. From June 1-26, rice jumped 206 percent, sugar 211 percent, 12 lb. shirting 212 percent, 20's yarn 249 percent, Rayon 243 percent, D' silk 198 percent, caustic soda 248 percent, breaching powder 323 percent, fuels in general 250 percent, anthracite 261 percent, Kerosene 284 percent, newsprint 207 percent, Ruby Queen cigarettes 270 percent, Koban soap 346 percent, imported pine 275 percent, 2" iron tubes 400 percent. A rough average of the above rises

would be 230 percent, in contrast to the index of 153 percent given by the Central Bank.

Prior to the Sino-Japanese War, Chinese economists generally regarded the Chinese social structure as being semi-feudal and semi-colonial. If this assertion was true at that time, it is even more true today. The past six months have been a period of deepening colonialization of the Chinese economy. In plain words, this period has been a process of the gradual losing of economic autonomy. On one hand the enlarged and deteriorated military situation necessitated the use of huge amounts of military supplies and on the other hand, owing to weakened production, stocks of such supplies have depleted more than ever. Two years of extravagant expenditures have reduced the exchange balance to a negligible amount and Nanking is living on foreign aid. These facts cannot be better expressed than by the policy announced by premier Wong Wen-hao, who pointed out that every effort of the new cabinet was to be centered on obtaining more foreign aid. This is more important to the KMT than any attempt to improve production.

American Terms

While American aid will be forthcoming, it will not come alone. It will be accompanied by American terms. A June issue of *The Economist*, an English economic review, said that ever since the appropriation of American loans to Western Europe, they had been learning many lessons. This may show that American loans are not too easily acceptable unless the statesmen are bold enough to trade away their economic autonomy. For countries like Britain and France, we see yet no way of resistance, for Nanking, it would be a miracle if such pressure could be resisted.

As a result of negotiations between T. V. Soong and SCAP, a Japanese was appointed advisor for the iron mines in Hainan Island; the Taiwan Aluminium Corporation breached the Chinese Corporation Law by allowing 50 percent foreign investment in the corporation's shares (among the seven directors of the same corporation, 3 were Chinese and 3 American, and the remaining one was to be appointed by mutual agreement); and the Sino-American Bilateral Agreement was signed.

However foreign aid has to cross oceans before it arrives. It is not as easily obtained as when a magician pulls something out of his sleeve. Although the Republican Presidential nominee Dewey said, on June 25, that the Democratic Administration was neglecting China, and charged the Truman Administration as being "niggardly" in financial aid to China, since V-J Day, the Government has received, within 28 months, besides its own resources such as exchange balances, gold deposits, and puppet-Jap enterprises, an estimated $4 billion in US aid and UNRRA relief supplies for use in military and economic fields. Monthly consumption is about US$200 million. Mr. Dewey is a capable man and he might be able to appropriate US$200 million monthly without adequate evidence as to the possibility of redemption, but the question remains whether the American taxpayer is willing to invest in a bottomless pit.

There are many examples of declining industrial output. In the case of Shanghai, cotton spinning and weaving guilds decided to reduce, by 20 percent, the working hours of the mills because of the lack of electricity. However, a more fundamental reason was that prices of raw materials soared faster than products. Once the products are sold payment usually will be effected from three to seven days later. This precludes any possibility to repurchase the same amount of materials consumed. Hence the production scale is bound to diminish. A typical example here is a certain weaving mill. Its production last year was about 7,500 units of cloth. Last December production had already dropped to 6,200 units. It came down to 4,400 units in March, 3,000 units in May, and in June, because of the terrific rise of commodity prices, production dropped still further.

Commercial and native banks are no exceptions. Total deposits of all such banks in Shanghai was only 2.4 trillion in December, 3.0 trillion in January, 5 trillion in February, 4.4 trillion in March, 7.6 and 11.4 trillion in April and May respectively. It is estimated that it would not exceed 15 trillion for June. The increase of deposits is five times but commodity prices increased more than 10 times. In other words, the real value of the deposits is halved.

Decreasing Imports

Since the enforcement of the quota system in November 1946, imports have been decreasing. Average imports for January-July 1947 was about US$44,450,000 a month, and for August-October, when the "market rate" system was practised, it dropped to US$39,860,000. In November it came down to US$26,591,000, December US$22,825,000, January US$19,472,000, while for February it was even lower—a drop of 60 percent as compared with imports for the same time last year. March imports increased somewhat but still were below the average of last year. Exports are even less favorable. Exports in December were estimated at US$30,000,000. It was $14,800,000 for January, $9,300,000 for February, $10,700,000 for March and $11,000,000 for April. No appreciable improvement was seen in May. Entering June, because of the new Certificate System, exports were encouraged to some extent. But the price rise in June was a factor working against it. In short, importers are hampered by the quota system and exporters are no better off. Owing to the unreasonable rate of exchange, selling of export materials cannot cover cost prices thus making production impossible. Exporters in the process of turnover can hardly maintain the value of their original working capital. Moreover, the export business, to a large extent, is monopolized by the Central Trust and big capitalists. The path remaining for small and medium-sized exporters is quite narrow.

Although the pains of industry today are serious and many, it can usually pass them along, together with its products, to the consumers. Hence, ultimately the consumers are the ones who suffer the most. The fate of the peasants is obvious. That of the people living in cities also has become more apparent in the past six months. Their income lags far behind the actual cost of living. Salaries for public functionaries increased 700 percent, office workers 856 percent and laborers 942 percent, while commodity prices soared 1622 percent during the same period. The drop in purchasing power is also marked by the fact that the COL index, as originally calculated, was much lower than the real cost of living. The average index for commodity prices in June was about 1,500,000 but the COL index at the end of June was only 30 to 45 percent of this figure.

Earn $3 Monthly

Here in Shanghai, incomes of no less than 300,000 to 400,000 "small" salesmen and factory staff members have no relation to the COL index. A vast majority of these people still are earning something like 15 million a month (equivalent to US$3). Some of them get even less than five million. One may walk down any of the many crowded "office" streets and without much difficulty, pick out a sufficient number of pale-faced and shabbily clothed examples. As industry declines, one obvious consequence is increased unemployment. There are fully unemployed and half-unemployed, all struggling on the verge of starvation. Half-a-year ago they might still have some thoughts on cutting up a catty of meat after a week's work, but today, when they walk by the butchershop, they turn their heads. People live today and dare not ask themselves what about tomorrow. Somebody may ask, "As you say, the masses are poor but I see plenty of theaters, cafes, ballrooms and fancy shops doing business all right." How is that?

The luxurious life led by the fortunate minority is a vivid contrast to the miserable plight of the masses. In the process of re-distribution of property by means of inflation, a precipitation takes place. The rich become richer and the poor become poorer. The middle class is rapidly vanishing.

"The right to live" being at stake, "the will to live" seems to be a very natural reaction. Industry, commerce and the masses have all discarded the old ways of petition and have adopted more direct action such as the protest, manifesto and

demonstration as a result of their economic plight.

Three Characteristics

There are three characteristics in commodity prices likely to be seen in the future:

1. First and foremost, the degree of chaos increases. Where control and military forces are loose, prices rise higher and faster. Places like Szechuan and Kunming will face larger price rises than Shanghai. Transactions in the country will disregard fapi. Capital goods such as gold bars, US Notes, other foreign exchange and currencies, silver dollars, foreign shares, etc., daily necessities like rice, salt, sugar, edible oils, soap, etc., and industrial raw materials that are still useful to the existing industry will rise faster than inferior quality consumptive goods.

2. Secondly, a drop in the prices of individual items will occur merely as a temporary reaction or as a result of special military measures. Commodity prices in general will soar continually though with different speeds. Price labels will disappear, and superior quality goods will be hidden away. Shops will run for less hours, not that they want to take a longer rest but because they will be afraid of doing business.

3. Thirdly, the pace of fluctuation will be intensified. It is probable that prices may rise three or four fold in one day and suddenly, when news comes that a special measure will be taken, prices will come down to a similar extent. But these will only be spasms on the curve of upheaval.

Production and normal trade continue to fall off. The only business left perhaps will be the printing of notes, hoarding, and speculation. Military materials, daily necessities and speculative commodities will be better off than others. Redistribution of society's properties even diminishes the speculators operating capacities. The bulk of properties will be concentrated in the hands of top bureaucratic capital.

Thus a further step in colonialization of the Chinese economy will be inevitable. 1) Economic dependence on foreign aid deepens. It seems that nothing can be done without foreign aid. 2) Economic autonomy is lost, one item after another—reduction in Customs duties, opening of inland waterways transport, etc. 3) Localized economy forms feudal occupation in various parts of China. In currency: Taiwan has its own rate of exchange, and Canton adopts Hongkong currency as its trade medium. Transport of Hunan rice into Kwangtung is prohibited, removal of cereals and cotton yarn is restricted, etc. 4) Economic policy varies to an alarming extent in different places.

However, now is not a time to share unduly pessimistic views because the worst may have been witnessed by the Chinese people, and if worse comes to worse, there always will be a tomorrow after a long nightmare.

The Week's Business

GENERALLY speaking, business was nervous during the week ending July 14 although the turnover was comparatively small. Obviously, holders of stocks were eager to keep their goods, rather than to sell them at uncertain prices. Businessmen also tried to obtain more exact news on China Aid shipments supposed to arrive in Shanghai before the end of this month but could merely learn that the first cargoes will consist of coal, rice and raw cotton. They were informed that coal would be distributed directly among power companies and raw cotton directly among the yarn producing mills.

In spite of being informed of the early arrival of raw cotton, however, the market in yarn was uncertain with prices of most counts showing further gains. Commenting on that phenomenon, businessmen explained they could not yet foresee when and under what conditions yarns made from Aid-cotton will appear on the market.

During the week under review, premiums paid for Exchange Certificates continued to increase, reaching CN$3,300,000 for one US dollar last Wednesday. Reports had it, however, that in spite of such a rapid increase in the official dollar price, black quotations again were far ahead of the official ones. From the fact that Certificate premiums could again advance substantially, exporters concluded that the supply in Exchange Certificates still was below the demand by legitimate importers. In other words, importers doubted that export values equalled import values, the latter term referring to legitimate imports only.

Hectic trading on the Stock Exchange characterized the situation on the share market. On two days during the week ending Wednesday, stocks reached their ceiling limits within a few minutes, with Wing On Textiles, the piloting stock occasionally opening at the ceiling quotation. Also a stock introduced only last week—Shanghai Cement—was bought heavily, reaching its ceiling one day after its introduction.

Meanwhile, the authorities continued to prohibit dealings in "local foreign shares" on the curb exchanges. Two brokers arrested because of their trading in such shares were paraded through Shanghai's streets. Although this imitation of mediaeval pillorying was protested by Shanghai's brokers and although it was pointed out that many Chinese who invested money in those suddenly prohibited securities now are at a loss as to how to realize the amounts invested, the authorities failed to make any further comment.

While it is a fact that most of the shares in question—or even all of them—have their face values expressed in terms of foreign currencies, especially Hongkong dollars, trading was not carried out clandestinely but quite openly, with quotations announced regularly in both the vernacular and English press.

Commenting on the ban, local businessmen explained that "apparently all this is done to expose citizens to the dangers of inflation" by prohibiting trading in securities other than those whose face values are expressed in terms of inflated national currency. The feeling of Chinese businessmen and exchange operators was bitter indeed.

Trying to render quick spending of large amounts impossible, The Central Bank issued several new regulations without, however, impressing the speed of inflation. Controls of bank activities were tightened during the week under review but with a 38 percent interest rate per month now being considered "easy money", prices continued to follow the general trend. Obviously, people preferred to pay high prices for securities and commodities rather than to see their money's value dwindling away.

On Wednesday, the last day of the week under review, business in general was less animated as the money market was tight (probably in consequence of the respective policies of the Government banks) and the private interest rate went up to 48 percent per month. So far, this is the highest rate ever charged in Shanghai.

Impressed by the tight money market, shares and bonds as well as most commodities realized declines, a movement which has been usual when pay days are approaching. As a new COL Index was expected to be issued on July 15, a pay-day was near enough to influence the money market.

Quotations

Stock	July 7 CNC$	July 14 CNC$
Wing On Textile	7,000	9,280
Mayar Silk	332	525
Commercial Press	2,750	3,700
Wing On Co.	2,200	2,750
Ewo Cotton	—	—
Bond C	1,010,000	950,000

Commodity	July 7 CNC$	July 14 CNC$
	(000 omitted)	
Wheat Four	—	8,120
White Rice, first	20,000	29.500
Peanut Oil	—	76,000
Raw Silk "C"	1,390.000	1,880,000
Jap. Rayon	1,192,000	1,652.000
Cot. Yn. (42)	1,000,000	1,350.000
Cot. Yn. (20)	800,000	—
Koo Kan Soap	36,000	—

US Magazine Roundup

Far Eastern Survey

"CAN We Compete In China?" is the title of a comprehensive analysis of America's ideological struggle with Russian influence in China by John K. Fairbank who is in charge of the China program at Harvard University. The article, which appears in the May 19, 1948, issue of *Far Eastern Survey*, opens with the warning that we should not be blinded by the long-awaited inauguration of the Marshall Plan for Western Europe to the fact that our current China program is woefully inadequate. "As the terms of the appropriation for China indicate, it is a stop-gap holding operation," the author states. "Our money goes mainly for relief and partly for military supplies. Revival of production and a healthy economy can hardly be expected, for China, unlike Western Europe, lacks much of the wherewithal for industrial revival and is convulsed by a gigantic civil war. Our China aid program thus serves to identify us more completely with the status quo and social backwardness in China. The danger is that it may save the present at the cost of losing the future, for stop-gap relief with a military emphasis is inadequate to compete with communism.

"This is what makes so many specialists on China, who are neither Marxists nor dupes of Communist propaganda, fear that our present policy will in the end leave us out on a limb, drain our resources while producing no solution, and so play into the hands of Russia."

Mr. Fairbanks continues with a claim that China, given her social backwardness, population pressure and poverty, was bound to suffer a revolutionary change in the mid-twentieh century. Since this revolutionary tendency has long been endemic in Chinese society, "we can maintain our position in China only by undertaking an active program in harmony with, not in opposition to, (its) fundamental long-term objectives. Our policy must outwit the Russian strategy of using the Chinese revolution against us. This policy must be based on an accurate analysis of the Chinese revolutionary process. American scholarship is still rather inadequate to make such an analysis; yet it must be attempted."

Hope Of Better Day

This Mr. Fairbanks does attempt, asserting that the social revolution now led by the Chinese Communists is composed of three ingredients: peasant rebellion, Marxist ideology, and genuine Chinese patriotism. The first, he claims, has been long overdue in Chinese society. The second has been applied to Chinese needs with originality and effectiveness by the Chinese Communists. The third, patriotism, gained great strength during the war against Japan when it took the form of resistance to the foreign invader. This anti-foreign sentiment has been successfully transferred in North China from the Japanese to the Americans, and cannot be entirely written off as propaganda since it is US lend-lease planes and guns that the National Government has been using in its war with the Communists. The author further asserts that the peasant rebellion can be checked only by Chinese, not by foreigners, and only by a Chinese leadership which can offer more than the Chinese Communist leadership.

The author points out that while "the appeal of Chinese Marxism is based on the hope of a better day," this carries much more weight in China than it would in the US since "the choice in China, judged by American standards, can be only a choice of evils. The attraction of communism is a relative matter. It rests on the Chinese students' aversion to KMT police terror and torture, the Chinese idealist's response to Communist idealism—which aims to 'liberate' the peasant masses from their age-old poverty, ignorance, and political inertness." There is also a strong appeal to nationalism. "It must be remembered that China's Communist movement has been for two decades in the hands of Chinese. . . To its members, the Party seems to be theirs, not Stalin's. . . For more than a decade Mao Tse-tung has given the appearance of a good deal of independence in the carrying out of a Marxist-Lennist program in China. Russian influence ....has been kept in the background, while the Soviet Union's formal relations have been correctly maintained with the National Government. . .

Russian Interpretation Accepted

"On the other hand, judging by the Chinese Communist propaganda, the Russian interpretation of the world scene is accepted by the Chinese politburo, which has had little time and less opportunity for study and development of its foreign relations. . . This would suggest that while leaving the Chinese Communists free to run their own internal affairs, the Russians can dominate their foreign policy. At any rate, they benefit by the Chinese Communist antipathy for the United States and seem to have had the sense to let well enough alone. As a result we, who are ten thousand miles away and have spent billions to help regenerate China, have become the target of Chinese patriotic anti-foreignism, while Russia, which is close at hand, has become the 'friend of the revolution."

As for what to do about this "ironic situation" Mr. Fairbanks has a few concrete suggestions to offer. He feels that in order to cut the ground from under Chinese Marxist ideology we should "champion China's national independence and avoid a struggle to suppress the peasant rebellion. To ally ourselves with the force of Chinese we must champion China's national independence of all foreign powers, including ourselves as well as the Russians." Approving a policy of "non-intervention" coupled with "counter-intervention" in the case of intervention by a foreign power unfriendly to China, Mr. Fairbanks claims that "if we apply this policy to the present scene it becomes at once apparent that we have been intervening more extensively, in a military way, than the Russians." Their civil war, in Chinese eyes, is not a "rebellion" so much as it is a struggle between two contenders for rule over the Chinese state. "The question is not who has the legal claim to succession, but who can win the tacit acquiescence of the populace. . . .

Shift Emphasis Of Aid

"Our chief need is to shift the emphasis of our China aid program, to make it evident that our aid is for constructive purposes, not merely to fight off communism. . . We must make it plain that we have China's interest at heart as well as our own. . . The key to our position in China has been China's modern liberal class, the professional men trained in this country, the students in the Christian colleges in China, the Shanghai business men who believe in free enterprise under the protection of law. Under the Fulbright Act, part of one million dollars a year may aid the Christian colleges in their valiant struggle to carry on democratic education. This is a paltry sum compared to expenditures which we are making to aid Chiang Kei-shek's armies.

"The professors and private business men of modern China represent our greatest stake there. We should try not to strengthen those whose policy it has been to starve or coerce them. The student class in KMT China, which now in desperation turns increasingly toward the Communists, is the seed-bed of Chinese patriotism. American-educated professors have nourished their belief in civil liberties in the past. We should not now underwrite the police terror which is directed against them but should explicitly denounce it. . . At the very least Chinese intellectuals should receive American aid even when they are critical of their own government in the best American tradition of free speech.

'Meanwhile the US Information Service can combat communist propaganda only by keeping US policy distinct from KMT performance. But this job can be done only on the basis of a long term policy which does not put China's welfare second to China's usefulness to us or identify the interests of the Chinese people with those of one particular party."

NEWS OF THE WEEK

KMT Claims Victory In Honan; Cold War In West Continues

AFTER a week's savage fighting, the Nationalists claimed a brilliant victory in eastern Honan. Government military spokesman General Teng Wen-yi placed the Communist casualties at 80,000 as reported in the press. According to the general's story, the Reds left corpses, military supplies and equipment scattered over an area of 25 square kilometers around Chihsien, Suhsien and Tungshu, southeast of Kaifeng. Particularly significant was the fact, he stressed, that of all the Communist units taking part in the Honan battle, more than half of their First and Fourth Armies, nearly half their Sixth and Kwangtung-Kwangsi armies and one third of their Third, Eighth, Tenth and Eleventh armies were wiped out.

He predicted it would take the Communists "at least three months" before they could replenish their losses, which were described as the heaviest since they attempted a southward advance.

The losses sustained by the Government troops, the general revealed, were one division and one brigade, about one to three in comparison with the Communists.

Commenting on the fighting in Honan, the official *Central Daily News* pointed out that with this victory, the Communist attempt to annihilate the Nationalist 5th and 18th armies with the object of a march on Nanking has been frustrated.

According to the *AP*, observers in Nanking said it is still too early to determine the exact extent of the Government's "sweeping victory" on the Honan plains. It appeared from Communist activities in Hupeh, Honan and Shantung that the Government's drive accomplished little more than scattering the Red forces into various areas.

Meanwhile fighting in Honan is still going on. The *AP* reported:

"The arrival at Hsuchow of several thousand Government wounded tended to confirm that there had been heavy fighting on the Honan plains. Officials said the wounded, whose numbers were estimated variously from two to twenty thousand men, are being moved by train southward to Pukow, from where they are being sent to army hospitals and emergency stations along the Yangtze from Shanghai to Hankow."

The fighting in Honan hardly came to an end before the Communists started new offensives in Shansi and Hupeh. According to Chinese press reports, 100,000 Communist troops, under the command of Hsu Hsiang-chien, are launching a three-pronged drive on Taiyuan, provincial capital of Shansi, from the north, south and southwest. After capturing two important Government strongholds—Kihsien, 50 miles to the southwest and Chiaocheng, 40 miles to the west, the Communists swept into the perimeter of Taiyuan. Bitter fighting has been raging in the triangular area less than 25 miles south of the city. For the first time in many years the thunder of artillery was heard in Taiyuan on the night of July 11.

It is pointed out by foreign military observers, according to *Reuter's*, that what made the situation more critical for General Yen Hsi-shan, Governor of Shansi for the past 20 years, is the fact that the Communists control all the gateways to the area—Linfeng in south Shansi, Yinghsien in north Shansi and Shihchiachwang in Hopei. This meant that it is almost impossible for either General Hu Chung-nan, commander-in-chief in Shensi or General Fu Tso-yi, commander-in-chief in North China, to send reinforcements except by air.

In Hupeh, pro-Government dispatches stated that 50,000 Communists are engaged in a general offensive in Hupeh, driving a wedge between the Yangtze and Han Rivers. It appears that the new Red drive is aimed at the Yangtze River city of Ichang in west Hupeh. Fancheng is rumored to have been captured by the Communists and fighting is going on near Siangyang. Part of the Communist units now fighting in Hupeh are said to have come from Honan. In reporting on the Government's big victory in Honan, General Teng Wen-yi revealed that several Communist units were headed south. This revelation added significance to the reported Communist offensives in Hupeh on the southern section of the Tientsin-Pukow railway and in northern Kiangsu.

Special precautionary measures have been taken by Nanking's garrison command headquarters, which ordered a midnight to dawn control of all travellers' vehicles because of "possible infiltration of Communist elements and arms and ammunition into the national capital." The control order followed the application of other precautions against Communist activity within Nanking, including the manning of special "outer defense" areas.

Farther south in Kwangtung, Communist irregulars conducted a lightning raid on Kwangchowan. Chinese reports indicated that over 200 Red guerillas on the night of July 10, attacked the undefended city of Kwangchowan, about 150 miles southwest of Canton, robbing godowns and banks and raiding police and gendarmerie stations. Nationalist troops arrived after dawn and drove them off.

This was the first big attack upon a South China city, although there has been skirmishing for months elsewhere in Kwangtung province. Martial law was enforced to prevent further looting. The bandits retreated northward with their loot, including arms and large amounts of cash. The losses of the Central Bank and the Bank of China were listed at CNC$200,000,000,000.

* * *

KMT Reform

THE past week witnessed more talk about impending reform in the Kuomintang. The official organ, *Central Daily News* in a significant editorial announced that Generalissimo Chiang Kai-shek is determined to reform the Kuomintang. It is understood that the Generalissimo is scheduled to call a preliminary party caucus at Kuling or Nanking some time this month to map out the reform plan.

The *Central Daily News* urged that the party's reorganization be conducted with "sincerity, realism, far-sightedness, determination and promptitude." It laid down four principles for reorganization as follows:

1. Members may be allowed to regroup into factions according to thought and policy. It is not necessary for party members to have completely identical thoughts and policy.
2. The reformed party should be geared to the nation-wide political, military, economic and cultural struggle against the Communists.
3. Reform should be translated into action.
4. Chiang Kai-shek's leadership should not be questioned.

The paper appealed to Kuomintang members to accept Chiang's leadership in the overhauling of the party and "not depart from his leadership and organize a new party."

The Foreign Policy Commission of the Kuomintang, according to press reports, has submitted recommendations to President Chiang Kai-shek for a revision of the government's foreign policy. Although details of the recommendations are not available, it is generally understood that the commission called for the improvement of Sino-American relations, clarification of Sino-Soviet relations, early conclusion of a peace treaty with Japan and expansion of China's relations with other Asiatic countries.

Members of the commission include Premier Wong Wen-hao, For-

eign Minister Wang Shih-chieh, Judicial Yuan President Wang Chung-hui and Secretary-General of the Kuomintang Headquarters General Wu Te-chen.

* * * *

West Protests

THE cold war between the western powers and Soviet Russia over the Berlin issue showed no signs of thawing. The United States, Britain and France sent identical notes of sharp protest to Moscow asking for the immediate lifting of Russia's blockade. The three of them offered to negotiate on the Berlin issue but stressed the point that Russia would have to lift her blockade first.

The notes of the three powers varied only slightly as to wording. The French note was said to be softer in tone, because France was not a party to the original Potsdam agreements on post-war Germany.

The British note told the Russians that their actions in Berlin had resulted in an "extremely serious international situation." It further charged the Soviets were acting in "clear violation" of existing four-power agreements.

The American note called the Soviet blockade "intolerable," and told the Kremlin that the United States will not be compelled to abandon its rights as a Berlin occupation power by "threats, pressure or other actions." It particularly emphasized that "it is hoped that the Soviet Government entertains no doubt whatever on that point."

Competent observers pointed out that by their emphasis on the "international" nature of the Berlin dispute the Western Powers opened the possibility that if Russia does not give way on the blockade they may take their case to the United Nations.

Both the United States and Great Britain categorically asserted that they are in Berlin as a matter of established right derived from the defeat and surrender of Germany and confirmed by formal agreements among the principal allies.

Russian reaction on the protest is being anxiously awaited. It is predicted that Moscow will reject the protest and raise a counter-proposal for a high-level conference on the whole of Germany.

Both London and Washington seem to be taking a very serious view of the whole situation. An authoritative source in London disclosed that Britain has sent considerable numbers of new troops to western Germany because of the tension in Soviet-blockaded Berlin. The disclosure came as General Sir Brian Robertson, British military governor in Germany, conferred in London with General Sir Percy Hollis, chief of staff of the Ministry of Defense and other service chiefs. No informant would say exactly how many troops have gone to western Germany or how many will be sent on into Berlin. One source, however, said that troop movements to the British zone of Germany "have been taking place during the last three or four weeks." He made it clear that most of the troops were reinforcements, rather than replacements.

The Russians, on their part, are going ahead with their plans to tie Berlin economically to the Soviet occupation zone of Germany. Communists in Berlin have announced a two-year plan for this purpose. In addition, as an answer to the projected western German constitutional assembly, the Communists are drawing up a constitution for a German republic.

The Communist-dominated Socialist Unity Party announced in the Soviet sector:

"Starting from the fact that Berlin lies in the eastern zone and is tied very closely to its economy, the Berlin section of the party has worked out a two-year plan aimed at systematically incorporating Berlin's economy into that of the eastern zone."

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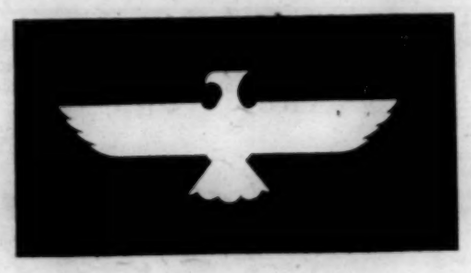

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What US Papers Say

US newspapers have devoted much editorial space to the current Palestine strife, some papers criticizing Count Bernadotte's proposed discussion framework, but all called for an extension of the Arab-Jewish truce so that he could continue his efforts to achieve a peaceful settlement in the Holy Land. The rice shortage in Asia and Hollington Tong's recent criticism of US editors were also subjects of editorial comment.

* * *

Palestine

IN criticizing UN Mediator Bernadotte's proposals, many papers took particular exception to his suggestion that Jerusalem be awarded to Transjordan, and reiterated their previous view that the Palestine settlement must be based upon recognition by the Arabs that the Jewish State of Israel is a fact.

The *Philadelphia Inquiry*: "Unless a settlement is reached in the meantime, next Friday will see a resumption of warfare in Palestine on a massive and bloody scale. To prevent that, the UN Security Council should take necessary steps to have the truce extended pending further negotiations. It would help no one to open the door to unlimited warfare in Palestine. On the contrary, once arms are taken up again it would undoubtedly be with a new degree of bitterness on both sides...

"Once an agreement for a truce extension is reached, the United Nations should bring the Arabs and Jews together on a peace plan based tightly on the original partition program endorsed by the General Assembly. The Arabs should be made to understand that there can be no mediation, compromise or concession concerning establishment of the separate and independent State of Israel. A sovereign Jewish state in Palestine is basic to a settlement of the whole questions."

The *Washington Post*: "The proposed status for Jerusalem seems to be the most objectional part of Bernadotte's proposals to the Israelis....But we hope that Bernadotte's quest for peace will not be abandoned. This means that the truce must be extended, so that the mediator may explore all avenues of settlement. What Bernadotte needs to enable him to remain at his task is an indication that a new Middle Eastern policy has been concerted by America and Britain, resting upon recognition of facts in Palestine. The time has arrived it seems to us, to force the issue and to give de jure recognition to Israel and conditional recognition to Abdullah of Transjordan (regarding the Arab areas of Palestine)—as a starter for a program of economic reconstructions for the benefit of both and their neighbors."

The *Cleveland* (Ohio) *Plain Dealer*: "The Arab League, riding high in its defiance of the United Nations, has rejected Bernadotte's peace plan in hope apparently that it will ultimately obtain everything it demands. "Israel quite rightly turned it down. The United Nations should turn it down and remind its mediator that what he proposes is virtually the rejected minority proposals on Palestine made when the UN special committee on Palestine reported."

The *Hartford* (Connecticut) *Courants* "Most important, Bernadotte would provide what both sides clearly need for existence, the economic union which has been pushed aside in furore over political partition. If this tortured land is not to disappear in a crescendo of misery, both sides must in the end meet on some such middle ground. They have everything to gain, and little that is real to lose, if they extend the truce until they can agree on that middle ground.

* * *

American Editors

A *SAN FRANCISCO Chronicle* editorial said recently:

"'Gullible American editors' are creating a totally misleading picture of China today, it was charged recently by Hollington Tong, a spokesman for the Chiang Government.... It is true that a few American newspapers, notably those of the extreme left, are not at all fair to the Chinese Government, for the sympathies of their editors lie with the Chinese Communists, but these newspapers form only a very small part of the American press. Tong's generalization about editorial distortion in America takes no account of a number of very powerful editorial voices in this country which have defended Chiang's cause excessively.

"Some American newspapers, our own among them, have criticized the weaknesses of the Chiang regime and, at least in our case, this criticism has been voiced with regret and careful restraint. We do not like the enemies of the Chiang regime and have leaned over backward in our care not to allow ourselves baseless or careless criticism of the one force posed against Communism in China.

"When we have criticized the Kuomintang it has been after satisfying ourselves of the justice of the criticism, and far from springing from a holier-than-thou spirit, it has been rooted in the hope that through such criticism the Kuomintang might be persuaded to do what it had to do in order to vitalize its fight against totalitarianism.

"Where the Kuomintang has tended, instead, to adopt more and more totalitarian methods in waging this fight, we have felt that no newspaper with a faith in democracy and a sense of logic could keep still. It is no help at all now to observe a holier-than-thou manifestation from the Kuomintang. It is, among other things, a poor substitute for the reforms the Kuomintang still refuses to make, and in failing to make continues to court disaster.

"Tong's gesture to China-based reporters we regard as disingenuous. To accept it on its face value, together with Tong's generalization about editors, would be to accept the absurdity of the unanimously "gullible" anti-Chiang American editors systematically discarding reports and judgments of the men they have representing them in the field. Were there any such imbecile conspiracy among American editors, they would see to it that they sent reporters of the same mind."

* * *

Asia Rice Shortage

THE *New York Herald Tribune*, commenting on the rice shortage in Asia, said in full:

"UN studies showing that the population of rice-eating nations has been increasing twice as fast as rice production call attention again to a problem that is causing misery beyond description. The pressure of population against the land in eastern and southern Asia is so heavy that most of the people there live on a diet close to starvation level—and most of them die young. The pressure can be relieved temporarily, at some times and places, by irrigation or the use of better methods, by insect control or improved methods of storage, but any increase in food supply in such countries as India soon is overcome by population growth. There is no prospect whatever of solution solely through increased production.

"The problem is one that should be of strong interest to anyone interested in the welfare of mankind, and especially to opponents of Communism. The growing strength of the Reds in Asia is based in part on atrocious living conditions that make Communist promises, false as they are, exceedingly attractive. Unfortunately, however, no one seems to have enough knowledge of control of population growth to offer any sound suggestions. Suggestions often made by Westerners, such as birth control, not only would encounter religious obstacles in some areas, such as the Hindu regions of India, but obviously are unsuitable for impoverished countries with few physicians.

"There should be intense and thorough study of the problem by UN agencies, study not merely to find temporary relief but to seek long-term solutions. The latter certainly is one of high importance, for if the problems of mankind vary in consequence according to the number of human beings involved, there is none that takes precedence over hunger in Asia."

What Chinese Papers Say

CHINESE hopes of gaining active participation in the control of Japan through the eventual conclusion of a formal peace treaty with Japan was again reflected in editorial comments on July 7—the 11th anniversary of the Lukouchiao (Marco Polo Bridge) Incident that touched off the eight-year Sino-Japanese war.

* * *

War Anniversary

THE influential independent *Ta Kung Pao* said:

"Today being the 7th of July, we wish only to make one proposal, i.e., that the Government be urged to take the initiative in bringing about a Japanese peace conference, so that the war of resistance which began on July 7th, 1937 will achieve some results and so that this war will not have been fought in vain.

"What the United States is helping to recover now is Japanese militarism. This militarism was our enemy in the war of resistance; it is the devil which has been tormenting and gradually impairing our national life during the past half a country. If the Chinese could afford not to dread Japanese militarism, then the war of resistance which started on July 7th, 1937 must be considered as having been unnecessary and the blood shed and sacrifices made by them must be considered to have been futile.

We do not want to see our former enemy make a comeback which would cause our children and our children's children to be insecure. We do not want Sino-Japanese relations to become the same as relations between Germany and France, two countries between which there has been a lasting enmity, and as the hearts of the Chinese people are not dead, the anti-US aid to Japan movement has developed so rapidly throughout the country. Our motive in urging that a Japanese peace conference be convened at an early date should be to make the US desist from aiding Japan and to make it possible for the Japanese problem to be justly disposed of by the Allied nations, so that the Far Eastern situation as well as the people of Japan will have a bright future."

The Kuomintang, *Tang Nan Jih Pao*, devoted the anniversary editorial to reminding the Chinese nation that while, China, a victor nation, is "still full of war scars, . . . Japan, a defeated nation, . . . is already well on the road to recovery . . ."

After pointing out that the first stages of Gen. MacArthur's administration of Japan was "fairly satisfactory," later "for reasons we do not know, the whole situation changed."

The Japanese Emperor remained an object of worship for the Japanese people, the paper said, and the theoretical basis of the control of Japan was reversed. "Yes, there is no doubt that we should oppose US aid to Japan today.

However, we should remember that the US did want to help us and at one time actually planned to help us. If we had been able to meet the requirements of US help, it is highly doubtful whether there would be such a thing as opposition to US aid to Japan today. Of course, morally and theoretically, the fact that China has failed to give a good account of herself does not constitute a valid reason why the US should aid Japan. But we should examine ourselves in this way."

Another Kuomintang organ, the *Chung Yang Jih Pao*, however, took a different line. It said, in part:

"Eleven years ago, in order to resist a brutal power, we were the first to hoist the anti-aggression standard and fought for eight years and more. Great were our contributions toward the safeguarding of world peace and security. Today, China is again in the vanguard of the democratic world and she is engaged in the defense of democracy on the Asiatic mainland by suppressing the Communist Fifth Columnists who are traitors to the country.

If democratic China were to be dragged behind the iron curtain, then the security of the Far East will be unattainable. In commemorating the 11th anniversary of the Lukouchiao Incident today, we must strengthen our confidence in our ability to safeguard our territorial integrity and furthermore to maintain peace and security in the Far East."

* * *

Honan Victory

THE Kuomintang-directed Chinese press in Shanghai last week also hailed the Nationalist "major victory" in East Honan. In view of the agitation against the bombing of Kaifeng during the battle for the Honan provincial capital, which caused civilian casualties, most of the editorials praised the part played by the Chinese Air Force in scoring the victory.

The *Sin Wan Pao*, in this connection, said:

"The cooperation of the air forces and the attacks made on the bandit forces by the local populace were important factors contributing to the success of the battle of annihilation in Honan. In view of this victory, people in all parts of the country should realize the importance of local people's armed forces. Moreover, everybody should appreciate the contribution which the air forces have made to the bandit-suppression campaign. Anyone who voices opposition to the use of the air forces consciously or unconsciously helps the Communist bandits, so this mistaken notion should be corrected."

* * *

Tito's Lesson

THE Cominform-Tito clash in Europe was also extensively commented on by the Chinese press. A typical theme may be found in the following summary of *Chung Yang Jih Pao's* editorial: "The fact that the Czech coup and the Tito incident have occurred one after the other has taught us Chinese a most valuable lesson!

"First, it clearly shows us what tragic realities are represented by the slogans Democracy and Freedom as used by the Communist bandit leaders and their followers. Secondly, it has made a mockery of such high-sounding terms as patriotism and "liberation" as used by the Communist bandits in their propaganda. Thirdly, it has corrected a seriously mistaken notion on the part of those who are ignorant of the facts and who do not understand the international situation, but now they have awakened to this fact:

The Communist Party is an international organization which does not have any national consciousness, and in its eyes there is no such thing as a country or people. Thus, these people will realize that the Government's Communist-suppression campaign is designed to resist foreign aggression, and that it is not just an ordinary civil war."

The Catholic *Yih Shih Pao*, commenting on the same topic, said that Tito incurred Moscow's displeasure because he "has not yet given up entirely his national consciousness, nor under-estimated his country's strength to such an extent that he feels he must take orders from Soviet Russia in everything, nor abandoned entirely his own desire for leadership.

"He still wants to try and form an organization like the Federation of Balkan States. He did not know that what Soviet Russia desires is that there should be no independent nation besides herself, and that it is only under the United Socialist Front, which is led by Russia, that he can have strength.

"The Tito incident will make it possible for those heroes who have accepted or hope to receive Soviet Russia's appointment as her fifth columnist to see what their future will be."

The Review's English Lesson—XL

American Humor, A Model Paragraph, Pronunciation and Idiomatic Expressions

After a long period of absence, this week we are bringing to you some examples of American humor. These examples are taken from the June 1948 issue of *The Reader's Digest*. First we will give you the example of humor and below it an explanation will follow:

THE CASE OF THE VALIANT PATIENT

Dr. William Osler used to tell his medical students this story to illustrate the great importance of giving clear, specific instructions to their patients:

A doctor once told a patient, "You must drink hot water an hour before breakfast every morning."

After a week the man returned to the doctor's office. "How are you feeling?" asked the physician.

"I feel worse since you told me what I should do."

"Did you follow my directions and drink hot water an hour before breakfast every morning?" asked the doctor.

"I tried my best," replied the patient, "but I couldn't drink hot water for more than 15 minutes at a time."

EXPLANATION: The doctor wanted his patient to drink one glass of hot water one hour before he ate his breakfast in the morning. The patient did not understand him correctly and thought that he must continue to drink hot water for the whole hour before he ate his breakfast. No wonder the patient felt worse! He would have had to drink gallons of water.

THE FORGETFUL HOST

One evening, George Ade gave a dinner for a number of friends, including Booth Tarkington. About ten o'clock in the evening a woman guest wished to return to her hotel nearby and George accompanied her to the lobby of her hotel. Then he stopped to speak to some friends standing at the hotel bar. Time passed quickly as the friends told stories and drank. About midnight George Ade mentioned that he had dined that night with Booth Tarkington, who had told some wonderful jokes. "Who gave the dinner?" someone asked.

George Ade paused for a moment to try to remember who had given the dinner and then rushed to the door saying, "My God, I did!"

EXPLANATION: This is an easy one to understand. George Ade very easily and quite completely forgot that he was giving a dinner party until he was reminded of the fact by his own conversation.

The following is not really a joke but is an example of the clever and humorous use of slang words:

"A Midwestern newspaper heads its list of births, marriages and deaths briefly as: Hatched, Matched, Detached."

EXPLANATION: "Hatched" describes births. Although "hatch" means to produce young, it usually refers to the production of poultry. "Matched" describes marriages accurately because one of the lesser definitions of the word is a matrimonial union. When a person dies he is "detached" from life. The humor lies in the brevity of the terms and the fact that they all have the same sound with the exception of their first letters.

* * *

This week as an example of good writing we give you a paragraph from Karl Mark's book, *Capital*. We ask you to note the following qualities contained in the paragraph: the theme of the whole paragraph is stated simply and lucidly in the first sentence: the development of the machine age, which is the topic being discussed, is developed concisely, clearly and dramatically, although in less expert and less understanding hands, the point could have been developed in a dull fashion; the conclusion of what the writer is saying is stated in the final sentence and is the logical result of what he has said in his premise and description of the process of the development of the machine age. Study this paragraph as an example of a writer understanding thoroughly what he is going to say and then saying it so the reader can understand it also:

"A radical change of the mode of production in one sphere of industry involves a similar change in other spheres. Thus spinning by machinery made weaving by machinery a necessity, and both together made the mechanical and chemical revolution that took place in bleaching, printing, and dyeing, imperative. So too, on the other hand, the revolution in cotton spinning called forth the invention of the gin, for separating the seeds from the cotton fibre; it was only by means of this invention, that the production of cotton became possible on the enormous scale at present required. But more especially, the revolution in the modes of production of industry and agriculture made necessary a revolution in the means of communication and of transport. The means of communication and transport handed down from the manufacturing period soon became unbearable trammels on modern industry, with its feverish haste of production, its enormous extent, its constant flinging of capital and labour from one sphere of production into another, and its newly-created connexions with the markets of the whole world. Hence, apart from the radical changes introduced in the construction of sailing vessels, the means of communication and transport became gradually adapted to the modes of production of mechanical industry by the creation of a system of river steamers, railways, ocean steamers, and telegraphs. But the huge masses of iron that had now to be forged, to be welded, to be cut, to be bored and to be shaped demanded, on their part, cyclopean machines, for the construction of which the methods of the manufacturing period were utterly inadequate. Modern industry had therefore itself to take in hand the machine, its characteristic instrument of production, and to construct machines by machines."

* * *

The pronunciation of the words given below is:

Trygve Lie —**trig**-va lee.

Bernard Baruch—**burr**-nard **bar**-ook.

* * *

The following words and expressions are taken from the July 3 issue of the Review:

"out of date" (page 129, paragraph 2)—passe.

"by hook or crook" (page 129, paragraph 7)—by fair or foul means.

"day laborers" (page 130, paragraph 1)—laborers who work and are paid from day to day and do not have a permanent job at one place.

"bogging down" (page 130, paragraph 4)—functioning with less and less speed and efficiency.

"took the line" (page 132, paragraph 9)—approached the matter from the viewpoint that...."Line" is used idiomatically as meaning "point of view."

"talking through his hat" (page 132, paragraph 10)—is a frequently-used slang expression which means that the speaker is talking without facts to substantiate what he says or is talking utter nonsense.

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